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# FINANCIAL TIMES

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BEARINGS  
FROM  
POLAND

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## NEWS SUMMARY

### GENERAL

## Offer may end Times strike

The journalists' pay dispute, which stopped production of The Times and last Friday, seems virtually settled following a formal offer tabled by the management.

The paper could be back on the streets tomorrow if the deal is endorsed by the 280 journalists, whose leaders were confident of success. The management pledged "strenuous efforts" for a Saturday edition.

The staff, who have been demanding a 21 per cent rise recommended by an independent arbitrator, will be presented with an 18-month deal, including a £1,000 flat payment. Back Page

### Blockade eases

Striking fishermen eased their two-week blockade of French ports, with cross-Channel traffic slowly returning to normal. Passenger services were open at all ports except Dieppe, Cherbourg and Boulogne. Page 2

### Cheap flight plan

British Caledonian Airways is to offer a £20 single standby fare between London and Glasgow, 55 per cent cheaper than its peak fare and £5.60 less than British Rail's single ticket. Back Page

### Jordan Premier

King Hussein of Jordan named Mo'at Al-Badran to be the new Prime Minister with a reshuffled Cabinet. He was told to maintain the high quality of the army and the security forces. Page 4

### TV show ban

The High Court has banned Thames Television from screening a programme about Primodos, a discontinued pregnancy testing drug, after Schering Chemicals, which distributes it, sought an injunction. Page 31

### Priest jailed

Dissident Russian Orthodox priest Father Gleb Yakunin was sentenced to five years of hard labour and five years of internal exile after being convicted of anti-Soviet agitation and propaganda. Page 2

### Fire death charge

Tight security surrounded London's Bow Street court when John Thompson, a general dealer from Hackney, was charged with murdering one of the 37 victims of a Soho drinking club blaze. Page 7

### Island surrender

Rebel leader Jimmy Stevens told Vanuatu Government in the Pacific that he will surrender today, ending the rebellion on Espiritu Santo island. Page 1

### 'Cover-up' denial

The Foreign Office issued a six-point denial after a magazine alleged a cover-up over the death in Saudi Arabia of British nurse Helen Smith and her Dutch boyfriend. Page 1

### Irish top drinkers

The Irish are spending 13 per cent of their income on alcohol, more than in any other European nation, says the Medicines Research Board of Ireland. Page 1

### Briefly...

India honoured the late Earl Mountbatten by issuing a special stamp on the first anniversary of his death.  
Australia were 227-2 (Wood 100 n.o.) on the first day of the Centenary Test against England at the Oval.

### BUSINESS

## Equities off 8.8; dollar weaker

● DOLLAR finished close to its lowest levels of the day against most major currencies. It closed at DM 1.7870 (DM 1.8005), SwFr 1.6440 (SwFr 1.6615), and ¥218 (¥219.65). The currency's trade-weighted index was 83.9 (84.3). Page 29

● STERLING also weakened in fairly active trading, closing at \$2.3895 (\$2.3910). Its trade-weighted index was 75.9 (76.2). Page 29

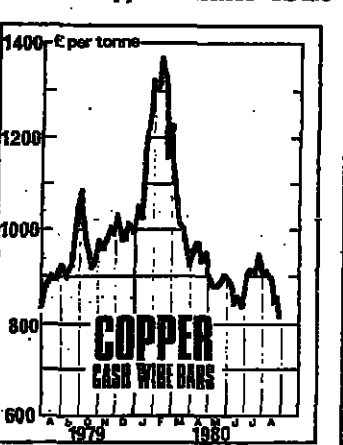
● GOLD closed \$1 lower at \$635.5 an ounce in London. Page 29

● EQUITIES were depressed by second-quarter figures from ICI which were much worse than expected. The FT 30-share index, which had lost 11.0 by 2 p.m., closed 8.8 down at 482.7. Page 32

● GILTS eased again, and the Government Securities Index finished 0.55 lower at 67.7. Page 32

● WALL STREET was down 4.69 at 932.40 before the close. Page 30

● COPPER fell £40.5 a tonne to close at \$816.5, its lowest level for 13 months, on prospects of the U.S. copper workers' strike



being settled. Demand for the metal is low worldwide. Page 31

● TUC General Council will ask for a meeting with Mrs. Margaret Thatcher, the first since she became Prime Minister, to demand immediate action to stem unemployment. Back Page

● FIRE DAMAGE at Alexandra Palace, London, last month resulted in claims totalling £31m being made on British insurance companies. Page 7

● ENERGY consumption in Britain in the first half of this year was 3.4 per cent lower than in the corresponding period of 1979. Oil was the fuel most affected. Page 6

● INTERNATIONAL Monetary Fund plans to raise about \$25bn from oil-producing nations in the next three years to help developing countries.

● RUSTENBURG and Impala, South Africa's two major producers of platinum, have raised their price for the metal from \$420 to \$475. Page 31

### COMPANIES

● PLESSEY, the electronics and telecommunications group, raised its first-quarter pre-tax profits by 41.6 per cent to £18.6m on sales which increased by 13.8 per cent to £193.5m. Page 18; Lex, Back Page

● YORKSHIRE CHEMICALS improved its first-half taxable profits from £348,000 to £408,000, but the directors decided to postpone consideration of a dividend payment until the year-end as a difficult second period is expected. Page 18

● GENERAL MOTORS, the leading U.S. car maker, will spend \$2.8bn (£23.3m) on expanding its operations in Portugal. Page 23

# Carter package of tax cuts and aid for industry

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT JIMMY CARTER yesterday proposed a \$27.5bn tax cut package for 1981 that would provide some relief to individuals, but which is heavily weighted towards encouraging U.S. industry to invest more and regain international competitiveness.

He has also proposed a \$4.7bn increase in public spending in the fiscal year which starts on October 1, with about \$1bn going to cities and States where the slump in the car, steel and housing sectors has raised unemployment, and another \$1bn provided as bonuses to companies investing in those regions.

The President unveiled his "economic revitalisation" programme at the White House a little over two months ahead of the presidential election. He said it would create an extra 400,000 jobs by the end of next year and nearly 1m by the end of 1982.

Billed as a foundation for U.S. economic growth in the 1980s, the programme is designed to "reinforce recovery without rekindling inflation" and to deal with the longer term problems of the decade, such as enhancing competitiveness, energy security and productivity. Mr. William Miller,

### MAIN POINTS

- Encouragement for investment. Depreciation rates for new assets would be speeded by 40 per cent, and the classes reduced from 130 to 30.
- "Economic Revitalisation Board" will be set up to foster co-operation between government and industry on regulatory issues.
- Assistance to recession-hit communities in the form of extra unemployment payments, some direct aid to cities and up to \$1bn investment bonuses.
- Defraying of next year's increase in social security taxes by credits to both employers and employees, and a special deduction for married couples to offset the increased tax penalty of filing returns jointly.

the Treasury Secretary, told reporters. Mr. Carter is asking Congress to approve only one element of his package immediately. This is an extension of federally-financed supplementary benefits for laid-off workers from 39 weeks to 52 weeks, costing the Government an extra

\$750m next year.

The rest of the package would be presented to Congress next January, if Mr. Carter wins the election. In fact, the Senate Finance Committee has already approved a \$39bn tax cut for next year, with more relief to individuals than the Administration plan.

The Carter package, which includes faster and simpler depreciation for business investment, more Federal money for research and development, lighter tax treatment for Americans working abroad and approval of export trading companies, could increase real Gross National Product by 2 per cent after two years and investment by 10-11 per cent, said Mr. Charles Schultz, chairman of the President's Council of Economic Advisers.

David Lasselles in New York adds: Major U.S. banks yesterday raised their brokerage rates by between 1 and 1.5 percentage points to 11 per cent, another indication of the upward trend in U.S. interest rates. The move came after banks increased their Prime Rates earlier this week to 11 per cent, a move which Citibank of New York belatedly joined yesterday.

U.S. economy, Page 16

# Call for increased public spending or tax cuts

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE Government should increase public spending or cut taxes to avoid making the recession even worse, the National Institute of Economic and Social Research says in its new quarterly review published this morning.

The Institute, an independent research organisation, warns that the prospects for unemployment are probably the worst since the 1930s. Although output may recover modestly next year, after a substantial fall this year, unemployment is likely to continue rising for some time after 1981.

There is the danger, according to the institute, that if the increase in money wages celebrated by the main immediate result will be a reduction in demand, making the recession even worse.

"Unless the Government takes the view that even higher levels of unemployment are needed, there seems to be no reason why it should not use fiscal policy to bring about a rise in consumers' expenditure and in output in 1981."

The institute doubts whether

COMPARISON OF FORECASTS			
Percentage change from previous year			
	1980	1981	London Business School (June)
Gross Domestic Product	1.8	+ 0.6	- 2.3
Consumer spending	1.8	+ 0.6	- 0.4
Consumer prices	1980	+ 0.1	+ 0.2
Current account, £bn	1980	+ 16.7	+ 18.2
Unemployment millions*	1980	+ 15.3	+ 15.5
	1981	- 0.8	- 1.9
	1981	+ 2.0	+ 0.25
	1981	1.75	1.67
	1981	2.19	1.94

\* Figures for fourth quarter of each year in Great Britain.

a reduction in real (inflation adjusted) wages can anyway be secured under free collective bargaining and without changes in the wage bargaining system. Calls for fiscal restraint and an incomes policy (although these words are not used) have been frequently made by the institute, a prominent critic of monetarist policies, and they do not carry much weight with the present Government.

The Treasury would argue that any reduction resulting from lower money wage rises Continued on Back Page

Editorial comment, Page 16  
National Institute review, Page 8

# Sterling slips after recent gains

BY OUR ECONOMICS CORRESPONDENT

STERLING yesterday fell sharply against both the French franc and the West German Deutschmark after its big gains of the last few days.

The dollar also fell as the previously weak Continental currencies staged a partial recovery.

Foreign exchange dealers referred to fairly active business. There were reports of one or two large sellers, possibly from the Middle East.

Sterling may have been helped earlier in the week by expectations that UK interest rates will remain high and by reports of further North Sea oil finds. It is possible oil companies

had been buying sterling ahead of the large, £1bn plus, payment of Petroleum Revenue Tax due on Monday.

The result yesterday was that the pound fell from its previous four-year high of DM 4.504 to DM 4.274, although this still compares with a rate of DM 4.181 at the beginning of the month. Sterling slipped from a 54-year high of FF 10.01 to FF 9.93 last night, compared with FF 9.71 at the beginning of August.

Sterling held up better against the dollar, closing only 15 points down on the day at \$2.3895 compared with a day's

trading range of \$2.3965 to \$2.3855.

The sterling trade-weighted index fell 0.3 points to 75.9 after touching 76.3 in the morning.

The dollar finished near its lowest levels of the day against most currencies, closing at DM 1.7570 compared with DM 1.8005 previously.

Currencies, Page 29

£ in New York			
	Aug. 27	Previous	
Spot	\$2.3895	\$2.3850	\$2.3850
1 month	1.45 1.40	1.55 1.50	dis
3 months	2.88 2.85	2.90 2.85	dis
12 months	6.15 6.06	6.40 6.30	dis

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# Slump in demand cuts ICI profit 52%

By Sue Cameron,  
Chemicals Correspondent

A DRAMATIC fall in demand for petrochemicals, plastics, fibres, dyestuffs and oil products cut Imperial Chemical Industries' pre-tax profits by 52 per cent between the first and second quarters this year.

The group said yesterday it saw no immediate prospect of an improvement. Its pre-tax profits between April and June amounted to only £72m.

Basic commodity chemicals normally account for half the group's sales. The fall in demand was concentrated in Western Europe.

Fibres' consumption have gone down 30 per cent since the start of the year and volume sales of petrochemicals have dropped by between 20 per cent and 30 per cent over the same period.

ICI's profit margins suffered accordingly and the group said that trading conditions were continuing to "deteriorate."

It said it had been forced to cut its oil refining operations by about 50 per cent between April and June because "there is no profit to be made there."

Trading profit on its oil business rose by only £4m to £29m between the first and second quarters of the year despite an increase in crude production from the North Sea's Mianian field where ICI has a 19.2 per cent stake.

ICI said its £72m pre-tax profits for the second quarter of 1980 were "very disappointing" compared to the £152m it made in the first three months of the year and the £162m in the second quarter of last year. The £72m figure comes after a currency exchange loss of £17m.

The group's sales between April and June were £1,452bn - 4.6 per cent lower than the £1,523bn of the first quarter of 1980. ICI's UK exports also fell from £349m in the first quarter to £291m in the second.

Sales for the first half of 1980 were higher than for the same period last year - £2,975bn as against £2,567bn. But pre-tax profits for the first half were down to £224m compared with £260m in 1979.

The group said its poor results came despite comparatively strong performances from its pharmaceutical and fertiliser divisions, which had

Continued on Back Page  
Company report, Page 19  
Lex, Back Page

# Polish strike leader calls for moderation

BY OUR FOREIGN STAFF

MR. LECH WALESA, leader of the striking shipyard workers in Gdansk, appealed yesterday to workers elsewhere in Poland not to take any action that would spread social unrest before the negotiations with the Communist Party leadership had been completed.

Mr. Walesa's appeal, made to delegates from other plants assembled at the Lenin Shipyard in Gdansk, appeared to be a conciliatory gesture towards Government negotiators, led by Mr. Mirosław Jagielski, the Deputy Premier.

On Wednesday night Mr. Jagielski said that agreement had been reached on most of the strikers' demands, except on the issue that they regard as central—the establishment of free trade unions independent of the existing State-run union organisation.

A full negotiating session scheduled to begin last night was delayed, apparently to allow the two sides to continue less formal talks in small groups which have been examining the detailed implications of the demand for independent unions.

There has been no sign so far that the Polish leadership has in any way softened its previous refusal to contemplate this step, which it has appeared to include under the heading of demands that would threaten the very basis of the Communist system in Poland.

### Standstill

Dissidents said strikes were gaining ground in Poland's second-largest city, Lodz, and in the southern city of Wroclaw, near the Silesia coal-mining region.

The number of plants affected in Wroclaw had risen to 38, they said. All transport was at a standstill apart from a few private taxis allowed to run by strikers.

Mr. Walesa told the meeting at the Lenin shipyards: "It is not good to have Poland terrorised." He said he was making the appeal at the request of Government negotiators.

Before the resumption of talks between the Government and the strikers, the position of the two sides appeared to have hardened. Mr. Walesa described them as "separate, polarised and apart."

The Communist Party newspaper Trybuna Ludu said the strikers' main demand for trade unions free of party control was striking at the whole Polish State.

The creation of rival trade unions would split the unity of the Polish working class, provoke internal struggle and bring anarchy into public life, it said. Trybuna Ludu said it would mean "an entirely new structure which, under one name or another, would be a de facto political movement absorbing and proclaiming conceptions contradicting the Socialist system and order."

The Government had appeared willing to discuss a possible limited form of free trade unions when it proposed setting up a joint group of experts to define the strikers' demand.

### Cast doubt

One strike leader said he thought the talks had been progressing until Mr. Jagielski appeared to cast doubt on the issue in a television speech on Wednesday night. The Deputy Prime Minister said: "We believe that this crisis of confidence can and must be overcome within the framework of existing union bodies."

In the western port of Szczecin, Mr. Kazimierz Barcikowski, the Government negotiator, failed to turn up yesterday for two scheduled rounds of talks with strikers.

In Warsaw, the official Polish news agency, Interpress denied that Mr. Edward Gierek, the Communist Party leader, was likely to lose his post because of the two-week strike. Interpress was reacting to strong rumours in Warsaw that Mr. Gierek might be replaced by Mr. Stefan Olszowski, a former foreign minister.

Mr. Olszowski, an outspoken critic of Mr. Gierek, was appointed ambassador to East Germany after being dropped from the politburo in February. But he was brought back into the politburo last week in the Government shake-up in which Prime Minister Edward Babuch was dismissed.

Allies hope to isolate strike's effect. Page 2

### Teachers' threat

More than 1,000 members of the National Association of Schoolmasters and Union of Women Teachers, in Northamptonshire are threatening strike action unless assurances are given by the county council next Tuesday that no more teaching jobs will be lost through expenditure cuts.

Nearly 150 teachers are at present expected to lose their jobs.

# Who is No.1 in lift trucks...

# HYSTER?

SEE PAGE 15



## EUROPEAN NEWS

# Polish allies try to head off strike effects

By PAUL LENDVAY IN VIENNA

CONCERN IS growing in Eastern Europe about the wider consequences of the Polish crisis. In Romania and Czechoslovakia there have been well-publicised warnings to workers not to follow the example of the Polish strikers. The Hungarian authorities have prevented dissident intellectuals from travelling to Warsaw.

The concern of President Ceausescu's Government in Romania was underlined in an editorial of the Communist Party newspaper, *Scinteia*, yesterday, which warned Romanians by implication that strikes "cannot resolve but only complicate economic problems."

The Romanian paper expressed the hope that Poland would resolve its problems without intervention from the outside—which Scinteia made clear primarily involved the Western media.

Some Western comments could only aim at dramatising and distorting the events, according to the Romanian paper, which said the talks between the Polish leaders and the strikers were characterised by an atmosphere of "constructive spirit and mutual understanding."

The Romanian leadership, faced with grave economic problems is evidently afraid of similar strike actions. Some 30,000 miners stopped work in the summer of 1977, and there have been sporadic labour troubles in the last few weeks. The newspaper said economic problems could be found in any country.

Czech and Hungarian dissident intellectuals have sought to express their solidarity with the striking workers in Poland however.

Two spokesmen for the "Charta 77" human rights movement in Prague, Mr. Milos Rejchart and Mrs. Maria Hromadkova, expressed support for the Polish strike committee and said the action of the Baltic workers would bring positive results not only for the Polish working class but also for human rights in the world as a whole.

The message was handed to a Western correspondent stationed in Prague. Five Hungarian human rights activists have been prevented by the police at Budapest airport from leaving Hungary for Poland. The five are among the 184 signatories of a declaration of solidarity with the Charta 77 movement, issued earlier this year in Budapest.

Police apparently confiscated their passports but did not detain them.

The Czech Communist Party organ, *Rude Pravo*, has warned that Western propaganda dramatises events in Poland, blows them up to "absurd dimensions" and uses them for the Polish leadership.

Directors of Western propaganda were eager to see events become even more complicated and to see the emergence of conflicts which they could use for further slandering of socialism, the party paper said.

Tass, the official Soviet news agency, is more often using such quotes from Czech and East German newspapers in its service for foreign subscribers.

While the entire East European Press relies only on official Polish sources in reporting the industrial unrest, the Yugoslav newspapers are covering the crisis in depth and factually.

Warsaw delays purchase of petrochemical plant

By OUR FOREIGN STAFF

THE POLISH Government has asked a Japanese trading company to postpone talks on the purchase by Poland of a \$100m (£42m) petrochemical plant, according to reports from Tokyo.

Mitsui and Co., which was to provide the plant, said on Thursday that the two sides had been close to agreement. The company said that Warsaw had not indicated why and for how long the negotiations were to be postponed.

There are fears in Tokyo that the postponement is linked directly to the current wave of strikes in Poland and that talks



President Ceausescu... potential problems

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UK attacks Oslo plan for oil-gas price parity

By FAY GJESTER IN OSLO

NORWAY'S drive to secure price parity with oil for its offshore gas was strongly criticised yesterday by Mr. Hamish Gray, Minister of State at Britain's Energy Department.

Speaking at the Norwegian town of Tromsø, Mr. Gray said Norwegian attempts to push gas prices up to the same level as those for crude oil would hit the industrial countries by increasing their costs. This policy

was the same as that for which the West had criticised OPEC. Confirmation of the Norwegian policy came earlier this week from Mr. Odvar Nordli, Norway's Prime Minister, who was speaking at the opening of an oil exhibition in Stavanger.

Mr. Nordli said the price of gas from new fields coming on stream towards the end of the 1980s should be set at a level corresponding to that of crude oil.

considered the most difficult issue—voting rights in the 36-nation council which will run the proposed International Seabed Authority. This Authority is to be a unique body, regulating production and marketing of the nodules of manganese, copper, cobalt and nickel which lie on parts of the seabed.

It is to have an industrial arm, the Enterprise, which will purchase mining and processing technology from the industrialised states and from mining companies.

The interest aroused by the question of control of the Authority reflected the hopes that once were vested in the "Eldorado" of the seabed. But as forecasts of world demand for minerals have fallen, the mining companies' expectations from the seabed have slumped.

None of the consortia is now spending the sums they once did and which together probably total around \$200m.

The proposal for control of the council involves a complex three-tier voting scheme. Important decisions on seabed

## Channel ports almost back to normal

By Robert Mauthner in Paris

PASSENGER traffic in several Channel ports began to return to normal yesterday, after the French Government had taken a firm stand on the month-old fishing dispute and the navy intervened to break the fishermen's blockade of oil ports.

Since yesterday morning, ferry services to England were reported to be running more or less normally from Calais, Dunkirk, Le Havre, St. Malo and Roscoff. But Dieppe, Cherbourg and Boulogne were still closed to passengers. The situation remained particularly tense in Boulogne, where truck drivers, frustrated by the fishermen in their attempts to transport and deliver their goods, have organised a counter-strike.

Trawlers, who managed at one point to block France's two main oil terminals at Fos-sur-Mer and Antifer, near Le Havre, were yesterday nursing their wounds from their sea battles with naval vessels armed with water cannon.

The two oil terminals were open to traffic yesterday, but the blockading fishing boats had suffered heavy damage. This is estimated at FFr 2m (£200,000) for those which took part in the Antifer skirmishes alone.

At a nearby fishing port to which the trawlers had withdrawn, the defeated fishermen publicly burned their tricolor flags in an angry gesture of protest that the navy had agreed to fight seamen of their own nationality.

The fishermen and the Left-wing trade unions are particularly incensed by the authorities' decision to use riot police on naval vessels to break the trawlers' blockade.

Meanwhile, a Government mediation commission met the two sides of the trawler industry in Paris to seek a solution to the dispute, after the Communist-led CGT union had rejected as unsatisfactory the Government's measures for improved marketing arrangements, bigger subsidies for the modernisation of fishing fleets and better price support.

Disident priest jailed in Moscow

By David Satter in Moscow

FATHER GLEB YAKUNIN, a dissident Russian orthodox priest, was sentenced yesterday to five years of hard labour and five years of internal exile after being found guilty of anti-Soviet agitation.

The verdict and sentence were announced by the Soviet news agency Tass which said that Father Yakunin, the head of the Christian Committee for the Defence of Believers' Rights, had attempted to undermine the Soviet system.

The conviction of Father Yakunin coincides with successful efforts by workers and dissidents in Poland to force the Polish Government to grant more rights to the Polish Catholic Church. It emphasises the very different position of the Russian Orthodox Church, which is under strict Communist Party control.

Several members of the official church hierarchy testified that Father Yakunin's research into the position of Christians in the Soviet Union had hindered them in representing the church at international conferences.

The prosecution called two other church activists, Lev Regelson and Viktor Kapitanov, who are awaiting trial on charges of anti-Soviet agitation, to testify against Father Yakunin. But both said his work was not aimed at subverting the Soviet system.

Polisario is anxious to challenge Morocco's assumption that it can assert sovereignty over waters which were within the territory of the former Spanish colony.

Until early this year the Spanish Government had gone out of its way to establish a working relationship with Polisario. This included a meeting in Madrid between the Spanish Foreign Minister, Sr. Marcelino Oreja and two Polisario representatives. Polisario had hoped for formal recognition by Madrid, but the meeting produced tough protests from Morocco.

Since then Morocco has pointed out that if Spain wants to retain its vital fishing interests in Moroccan waters it must withhold support for Polisario. A new fishing agreement with Morocco is still pending.

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## THE WEST GERMAN ECONOMY

# Cost of living figures signal inflation rate slowdown

By OUR BONN CORRESPONDENT

WEST GERMAN cost of living figures for August, just released, give further evidence that the underlying inflation rate here is now slackening.

Preliminary data from the Federal Statistical Office show that the cost of living this month was 5.5 per cent higher than in August last year. This compares with an annual rate also of 5.5 per cent in July

and rates of 6 per cent in both May and June.

Meanwhile the cost of living this month was only 0.1 per cent higher than in July. This compares with monthly increases of 0.2 per cent in July, and 0.5 per cent in June.

It has long since been clear that the Government's hopes of an average inflation rate this year of about 4.5 per cent

cannot be fulfilled. But it is felt possible that the annual rate will have fallen to around 5 per cent by the end of the year and that the average for the whole of 1980 will be between 5 and 6 per cent.

The slackening in inflation is accompanying a gradual economic downturn in which the Bundesbank has so far not been ready to relax its

high interest rate policy, although it has moved to ease the liquidity position of the banks.

Factors expected to cut the inflation rate further in coming months include some reduction in the rate of increase in import prices. For the Bonn Government, the present cost of living

figures are coming at a convenient moment, with a general election only five weeks away.

Kloekner Werke AG said yesterday that it awaits a decision on possible State aid before it goes ahead with a coal gasification project in its Kloekner Huette Bremen plant, Reuter reports

# Heading back to a familiar virtuous circle

By JONATHAN CARR IN BONN

## BALANCE OF PAYMENTS ON CURRENT ACCOUNT

Visible trade	% change over previous year	1979	1980	1981
Exports (real)	+7.1	+5.0	-0	
Imports (real)	+9.1	+5.0	+0	
Exports (nominal)	+10.4	+13.0	+3.5	
Imports (nominal)	+19.8	+18.0	+2.0	
Current account				
A) Visible trade (nominal)	+22.4	+10.0	+14.8	
B) Supplementary trade items	-0.7	+1.0	+1.0	
C) Services	-12.4	-15.0	-14.0	
D) Transfers	-20.8	-23.0	-23.0	
E) Current account balance (A+B+C+D)	-10.7	-27.0	-20.0	

Source: Deutsche Bundesbank and IFO Economic Institute; 1980 and 1981 figures, IFO estimate

WEST GERMANY'S visible trade surplus is likely to increase next year, its current account deficit—while still large—should decline, and the Deutsche Mark stands a good chance of strengthening, at least in nominal terms.

At first sight, these conclusions in report by the IFO economic institute of Munich seem surprising. The trade surplus in the first half of this year has been cut to DM 4.5bn (£1.05bn), compared with DM 14.9bn in the same period of 1979. Even a trade deficit for a month or two—almost unheard-of for the West

German—cannot be ruled out. The current account—the balance when deficits on services and transfer payments have been deducted from the trade surplus—was DM 12.3bn in the red in the first half, compared with a deficit of "only" DM 10.1bn for the whole of 1979. And the Deutsche Mark has been declining against every major currency except the lira and the Swiss franc.

None the less, the relatively optimistic IFO projections are well worth taking very seriously. This is not just because the institute was among the first correctly to forecast West Germany's plunge into current-account deficit. It is

also because its underlying economic arguments are very much in line with those of the Bonn Government. Further, the expected strengthening of the country's payments position has important implications for the Bundesbank (the Central Bank) currently keeping its key interest rates high to attract capital imports and thus help to finance the current-account deficit.

The main reason so far for the fall in the trade surplus has been a further worsening of West Germany's terms of trade—with export prices rising by an average of 7 per cent in the first half and import prices (not least of oil) by no less than 18.5 per cent. But if the price factor is excluded, it becomes clear that West German exports are not becoming fundamentally less competitive on world markets—rather the reverse. In real terms, West German exports rose in the first half by 8 per cent, and imports by only 6 per cent.

IFO now believes that with the gradual economic downturn in Western industrialised countries, raw materials prices will fall somewhat. Big stocks of crude oil in oil-consuming countries, as well as energy-saving measures, will help to prevent a sharp rise in oil

prices (barring a new Middle East crisis). This will help to keep West Germany's import bill down.

West Germany's success as an exporting nation is likely to continue for two reasons. One is that the Deutsche Mark's tendency so far to decline—combined with the large, and in some cases growing, gap between Germany's low inflation rate and that of other countries—will help to keep German export goods price-competitive.

Further, it is noted that while some customer countries such as the U.S. have already gone

into a recession from which they should start to emerge next year, others are only now starting to do so. Thus, in contrast to 1974-75, the Western recession is phased, markedly reducing the danger of a sharp general setback in demand for German goods.

This will not stop the 1980 current account deficit from reaching a record figure, which IFO calculates at about DM 27bn. Quite apart from the cut in the trade surplus, the country will have bigger deficits on services (such as German tourists' spending abroad) and on transfers (such as sums sent

home by foreign workers). None the less, IFO believes the trend will be changing in the second half, and that this will become manifest in 1981. Not only will the 1981 trade surplus be larger, the invisible deficit will be reduced. The foreign holiday boom is expected to slacken, for one thing.

According to IFO, the inflation differential between West Germany and other countries will have an increasing impact on the exchange rate in 1981. The outlook, it believes, is thus for some strengthening of the Deutsche Mark which will help to reduce the imported element of German price increases.

None of this is to suggest that the current account deficit will be removed altogether in the near future. But if West Germany is seen to be reducing its deficit while keeping its inflation rate markedly lower than that of other countries, capital will flow in even if interest rates are nominally somewhat lower than elsewhere.

This analysis, with all the reservations applicable to forecasting, suggests that the West German economy may be once again heading for a familiar, virtuous circle, while some of its main competitors stay caught in a vicious one.

# Andalucia villages strike over jobs

By ROBERT GRAHAM IN MADRID

EIGHT VILLAGES and towns near Seville were yesterday disrupted by a strike called to protest against the lack of Government funds for the employment of the rural jobless in civic works. It was called off after the Minister guaranteed money would be made available.

The amount to be made available has not been revealed and there is strong feeling in Andalusia that the Government of Sr. Adolfo Suarez is merely playing for time. Marinaleja was yesterday one of the places paralysed by the one-day general strike.

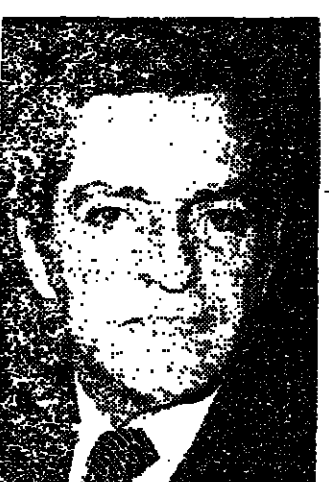
At the same time, the mayors of some 20 Andalusian villages locked themselves inside the Seville County Council building in protest.

The main political parties are concerned at the extent of the widespread success of the Marinaleja hunger strike has radicalised Andalusia. (The Socialists and the communists on Wednesday urged the mayors of towns and villages in the

most of the present publicity to pick-up supporters and put pressure on the Government. The leader of the organisation, Sr. Paco Casero, was quoted yesterday as saying: neither the Government and the opposition stop making high-sounding declarations and tackle in earnest the agricultural reform that Andalusia urgently needs, or we will begin to make calls for a popular revolt and civil disobedience."

In parts of Andalusia, the proportion of unemployed is as high as 18 per cent of the active population. This summer, too, there have been fewer jobs available in the hotel industry on the coast. In the past two years, the Government has sought to combat agricultural unemployment in Andalusia by offering jobs in public works.

The peasants' organisation argues that this institutionalises unemployment and does not tackle the roots of the problem.



Sr. Suarez... sincerity doubted

Seville area to seek a negotiated solution. But the peasants' organisation appears determined to make

# Madrid refuses formal talks on Polisario captives

By OUR MADRID CORRESPONDENT

THREE MONTHS after 15 Spanish fishermen were captured by the Western Sahara liberation movement, Polisario the Madrid Government is still refusing formal negotiations for their release. This has emerged from a meeting between Premier Adolfo Suarez and members of the fishermen's families.

The stalemate on the issue underlines Spain's dilemma in dealing with Polisario and the strong pressures being brought to bear on Madrid by the Moroccan Government.

According to Polisario statements the captured men were fishing in Saharan waters where they had been warned not to. Polisario is anxious to challenge Morocco's assumption that it can assert sovereignty over

waters which were within the territory of the former Spanish colony.

Until early this year the Spanish Government had gone out of its way to establish a working relationship with Polisario. This included a meeting in Madrid between the Spanish Foreign Minister, Sr. Marcelino Oreja and two Polisario representatives. Polisario had hoped for formal recognition by Madrid, but the meeting produced tough protests from Morocco.

Since then Morocco has pointed out that if Spain wants to retain its vital fishing interests in Moroccan waters it must withhold support for Polisario. A new fishing agreement with Morocco is still pending.

# Swedish central bank lifts long-term bond rate 1%

By WILLIAM DUFFORCE IN STOCKHOLM

SWEDEN'S RIKSBANK (central bank) yesterday authorised a 1 per cent increase in interest rates on so-called priority long-term bonds and indicated that it would not reduce its discount rate under prevailing conditions.

At the same time, the state debt office launched a 10-year bond at 12.5 per cent, the highest rate it has so far paid.

In Sweden's exposed economic situation and with the strong deterioration in the state budget and the current account the bank rate could not be adjusted to the lower international interest levels which had appeared in recent months, the Riksbank stated.

The raising of the long-term bond rate aims at improving the possibility of financing the swelling budget deficit through longer-term borrowing. Short-term financing of the deficit would boost liquidity within the economy and place enormous demands on state debt-financing policy, the Riksbank said.

The budget deficit was estimated at reach about SKr 55bn (£5.6bn) this year before the increase in value added tax and in excise duties on spirits, tobacco and fuels now being debated in the Riksdag.

According to the Riksbank, the higher long-term rate should also improve conditions for an expansion of the Swedish capital market by offering an incentive to new investors in bonds. Earlier attempts to stimulate the market have failed, however.

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The U.S. enacted its law protecting mining companies on June 28 and West Germany has introduced a similar law. Belgium, Britain, France and Japan are considering following suit.

The U.S. law forbids the Administration to issue exploration licences before next July 1 and to issue "any permit" which authorises commercial recovery to commence before January 1, 1983.

The U.S. delegate insisted that this law does not undermine the Law of the Sea Conference, but the developing nations consider the U.S. legislation as proof of bad faith.

# Police hold 12 Bologna bomb suspects

By Rupert Cornwell in Rome

ITALIAN POLICE yesterday arrested 12 suspected right-wing extremists on charges connected with the Bologna station bombing—the biggest round-up so far since the outrage of August 2 in which 84 people lost their lives.

The police dragnet, centred on Rome but including other towns in central and northern Italy, follows the issue of 28 warrants by Bologna magistrates investigating the massacre. The nationwide search ordered simultaneously has also unearthed caches of weapons and other illicit material.

All of those taken into custody are from far-right circles, among them the "NAR" (Nuclei Armati Rivoluzionari) and the fascist-inspired "Ordine Nuovo" (New Order), which appears to have been reconstituted on a clandestine basis since being banned by the Interior Ministry in 1979.

The charges brought so far are various. They range from that of belonging to a subversive organisation, to the illegal possession of arms and explosives, and multiple hold-ups. But some of the suspects are understood to face specific charges of plotting and organising the Bologna bombing.

Sig. Ugo Sisti, the chief public prosecutor, made clear yesterday that the round-up was a first phase, and did not signify that the investigators had got to the bottom of the case. So far, he admitted, magistrates had not yet discovered those who had actually carried out the attack at the station.

Moreover, those arrested are all Italians, despite indications in the immediate aftermath of the bombing of heavy foreign involvement.

After its successful vote of confidence on Wednesday night, the Government is now resigned to the fact that it will be unable to secure Parliamentary ratification of its two major economic decrees before their 60-day lives expire on September 1 and September 7 respectively.

With obstructionism continuing unabated yesterday, the three-party coalition headed by Sig. Francesco Cossiga is resolved to represent the decrees when the original ones lapse—incorporating amendments carried by the Senate, but bogged down in the interminable present discussions in the Chamber of Deputies.

Milan inflation

MILAN'S August cost-of-living will have risen 1.18 per cent from July, indicating a slowdown in Italy's inflation already hinted at by provisional data for Rome and Turin.

The year-to-year increase in Milan was estimated at 21.7 per cent.

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# Law of the Sea: end in sight after seven years of negotiation

By DAVID TONGE, DIPLOMATIC CORRESPONDENT

AFTER SEVEN years of arduous negotiations, delegates to the latest session of the Law of the Sea Conference ending today in Geneva now believe that only one more negotiating session will be necessary. This is expected to be held in New York in the second quarter of next year and to result in a binding treaty sharing out rights over the two-thirds of the world's surface covered by seas and oceans.

"The substance of a new comprehensive treaty, in very close to final form, is at hand," according to Mr. Elliot Richardson, the chief U.S. negotiator.

The current five-week session opened and closed with an acrimonious debate over unilateral deep sea mining legislation recently enacted by the United States and West Germany to protect their companies interested in the sea bed.

However, this debate did not prevent the delegates from 153 countries making major progress on what has long been

considered the most difficult issue—voting rights in the 36-nation council which will run the proposed International Seabed Authority. This Authority is to be a unique body, regulating production and marketing of the nodules of manganese, copper, cobalt and nickel which lie on parts of the seabed.

It is to have an industrial arm, the Enterprise, which will purchase mining and processing technology from the industrialised states and from mining companies.

The interest aroused by the question of control of the Authority reflected the hopes that once were vested in the "Eldorado" of the seabed. But as forecasts of world demand for minerals have fallen, the mining companies' expectations from the seabed have slumped.

None of the consortia is now spending the sums they once did and which together probably total around \$200m.

The proposal for control of the council involves a complex three-tier voting scheme. Important decisions on seabed

mining and the sharing of profits must be reached by consensus, meaning that the industrial nations will have veto power over conference decision.

Other decisions, depending on their importance, will require voting majorities of two-thirds or three-quarters. The developing countries believe they deserve greater rights over the seabed and ocean floor, which have been classed as a "com-



## Fears increase over agreement on Somali bases

BY DAVID BUCHAN IN WASHINGTON

CONGRESSIONAL critics have complained to the Carter Administration that the new U.S. agreement to use Somali bases for Indian Ocean defence risks entangling the U.S. in Somalia's quarrels with its Horn of Africa neighbours.

Representative Stephen Solarz, chairman of the House Subcommittee on African Affairs, has set out his fears in a letter to Mr. Edmund Muskie, Secretary of State.

They are based on intelligence evidence to the subcommittee that Somalia has up to 1,000 regular soldiers serving with rebels who are fighting for the Ogaden province's separation from Ethiopia.

The issue was given fresh immediacy by reports this week from Somalia that it had been "invaded" by Ethiopia, though Somalia later claimed to have repelled the alleged attack.

The Carter Administration has just initiated an agreement to give Somalia \$20m this year

in credits to buy arms and the same amount next year, in return for U.S. ships in the Indian Ocean occasionally using the Somali ports of Berbera and Mogadishu.

The Administration has stressed this involves no U.S. commitment to internal Somali security, nor constitutes any commitment to help defend it against Ethiopia, which is now backed by the Soviet Union.

The U.S. has reached similar agreements with Kenya and Oman on the use of their base facilities. Neither, however, is embroiled in such hot disputes with its neighbours.

Mr. Richard Moose, Assistant Secretary for African Affairs, told Mr. Solarz's subcommittee this week that Somalia was no longer seeking a military solution to the Ogaden dispute, but instead a political settlement. He doubted there were any significant Somali forces in the Ogaden.



Senator Mike Gravel . . . defeated

## Alaskan Democrat victim of Bill defeat

By David Buchan in Washington

SENATOR MIKE GRAVEL, Democrat of Alaska, became the first senatorial casualty of the 1980 elections when he was knocked out in his state's Democratic primary by Mr. Clark Gruening, ironically the grandson of the man from whom Mr. Gravel won his seat 12 years ago.

The Republicans are now given a good chance of winning the Alaska seat. With a large number of Democratic senators up for re-election this year, the Republicans are hoping that they might just add enough to their present tally of 41 seats (out of 100) to give them control of the U.S. Upper House.

Only this month Senator Gravel lost his long maverick fight to prevent the Senate passing legislation that would severely limit commercial development on 104m acres of Alaska—roughly one-third of the state—and preserve it as wilderness. On several occasions, Senator Gravel has filibustered the Bill to prevent it passing.

Mr. Gruening successfully played the campaign theme that Senator Gravel was short-changing Alaska by his confrontation tactics, which had come to grate on his Senate colleagues.

However, this week also saw the remarkable resurrection from the "political grave" of Senator Herman Talmadge of Georgia, who despite recent censure from the Senate for fiddling expenses, won his state's Democratic primary in the still largely one-party South. This is tantamount to re-election to a sixth six-year term for the veteran senator.

## Troops kill 30 guerrillas in El Salvador

SAN SALVADOR — More than 30 guerrillas were killed in a battle with troops after two fuel tanks at a power station in the industrial suburb of Soyapango, east of the capital, were set alight on Wednesday night, according to San Salvador police.

Officials at the plant estimated damage to the diesel fuel tanks at more than \$400,000 (£167,000). Electricity supplies to the city were briefly interrupted.

Fighting between guerrillas and soldiers raged for about three hours in Soyapango, and many bodies were still lying in the streets yesterday awaiting identification.

Residents said the guerrillas struck at about 5.30 pm, blowing up the power plant, wrecking a high-tension tower with dynamite, and setting the storage tanks on fire.

Guerrillas also bombed and destroyed power lines north of the capital, causing power cuts in parts of the city. The blackouts reduced capacity at the municipal waterworks, causing shortages of running water.

Police said they believed the attack was to avenge last week's arrest of 17 members of the electricity workers' union, who led a strike which blacked out the entire country for 24 hours, in protest at the firing of 35 workers. Agencies

## Peru bid to restructure debt

LIMA — Peru will negotiate the restructuring of its foreign debt next year and will seek to attract foreign investment in the mining and oil industries to overcome financial and economic difficulties. Sen. Manuel Ulloa, Prime Minister, told Congress.

The foreign debt at last December 31 stood at \$9.36bn. He said in his first speech to Congress since the elected government of President Belaunde Terry took over from a military administration a month ago.

Sen. Ulloa said domestic inflation in the first half had been 37 per cent instead of the 19.5 per cent figure given by the outgoing government. Reuter

The latest Canadian newspaper closures may not be the last, Robert Gibbens writes

## Press fights losing war with rising costs

IN LESS than a year, three major Canadian newspapers have died. This week the Ottawa Journal, the second daily in the federal capital, and the Winnipeg Tribune, the second daily in what was once Canada's liveliest newspaper town, closed down on the same day.

The Montreal Star, one of the country's most respected dailies, shut last September, a casualty of a long and bitter strike. Other closures may soon follow.

It appears that the economics of newspaper production in an age when inflation is mounting and population not growing, do not allow the existence of two "quality" dailies in most Canadian cities.

Politicians and commentators of every hue decried the decision of Canada's two major publishing chains to close the

Royal Commission or a Parliamentary Commission.

The Opposition New Democrats said the Federal Government should help the newspaper industry with subsidies. Similar appeals were made after the closure of the Montreal Star.

Mr. Jim Fleming, federal Minister of State, said yesterday that the Government was considering an inquiry into the closure of the Journal by the Thomson group and the Tribune by the Southern group. The two groups between them control the vast majority of Canadian daily newspapers and all the quality newspapers except the Toronto Star.

The agreement between them not only ends the long expensive struggle by the two dailies to survive, but also ends the anomaly under which the two chains were at the same time associates and competitors in different cities.

Thomson sold its half interest in Pacific Press Limited of Vancouver to Southern, leaving Southern sole owner of the Vancouver Sun and the Vancouver Province.

Thomson had operated the Vancouver Sun and Southern the Province, each chain with a half share in Pacific Press which published both newspapers.

Thomson also sold one third of the Gazette, Montreal's sur-

viving English language daily to Southern. The value of both deals was C\$87m (£20m).

The flagship of the Thomson Group in Canada will remain the Globe and Mail, based in Toronto, but with a total circulation of over 300,000 daily across Canada. In October the Globe plans to bring out a national edition with two sections, the first containing

Telegram went under.

The basic issue in the decline of Canada's daily newspapers—as in Fleet Street—is the struggle to adopt technological change in time and absorb the rising cost of labour and materials, such as newsprint. It is more fundamental than the competition for advertising and circulation from the electronic media.

The charges are familiar to those acquainted with Fleet Street problems. The unions are criticised for resisting technological change because the number of jobs available would be seriously reduced. Management have been accused of inept methods, refusal to negotiate in good faith and misjudgement of their markets.

The technological tools exist to bring about tremendous strides in newspaper productivity, through computerised typesetting and automatic equipment for fast bundling and insertion of supplements. What has been lacking is a mutual agreement on the terms for accepting such technology quickly and effectively.

Several major Canadian newspapers that survive might have gone under in the past 20 years if some union demands had not been defied, notably at the Toronto Globe and Mail. On other occasions,

Canadian unions representing printers and other trades have been willing to compromise on technological change and over-manning, only to be overruled by their union head offices in the U.S.

The Canadian Press has other difficulties. Several afternoon papers have been strangled by short office hours and city traffic tie-ups, though some have survived by switching to morning publication. But problems of circulation and advertising revenue have been overshadowed by those of high costs and low productivity.

No Canadian Government has intervened. Politicians have said they cannot act without a groundswell of public support, especially in the area of subsidies.

In the absence of controversy, it was not likely that Thomson Newspapers, which inherited the problems of the Ottawa

The Winnipeg Tribune

The Ottawa Journal

Journal and the Tribune. There were charges that the public's access to news and comment would be reduced, that the newspapers chains were carving up the remaining market across Canada, and that there should be an inquiry by the Federal Combines Branch, a

The Montreal Star

Journal with its acquisition of FP Publications late last year, and Southern, publishers of the Winnipeg Tribune, would allow publication to continue when the papers were losing millions of dollars a year with little hope of recovery.

## Police break up rally against Pinochet

SANTIAGO — Thousands of Chileans marched through the streets of the capital on Wednesday night in a major opposition political demonstration in which slogans were shouted against President Augusto Pinochet. The demonstration was the largest in Santiago since President Salvador Allende was overthrown nearly seven years ago.

Several people were arrested and at least two persons were injured after the rally was broken up by hundreds of police in riot gear.

The demonstration erupted during and after a speech by ex-President Eduardo Frei, in which he sharply criticised the plebiscite. About 8,000 people called for September 11 to decide the fate of a proposed constitution that would give him power until at least 1989.

The Government authorised a meeting in a Santiago theatre

to allow discussion of the plebiscite. About 8,000 people packed the theatre before the speeches began, and police cordoned off an area two blocks around the building. Thousands more people, outside began chanting anti-Pinochet slogans, singing and waving burning paper at the police barricades.

When St. Frei's speech ended, the theatre crowd joined those outside the police perimeter in a noisy demonstration that filled the street. The crowd was broken up after it had marched about 10 blocks, but small groups could still be heard chanting two hours later.

St. Frei, the leader of the Christian Democrat Party, who lost the presidency in 1970 to St. Allende, called for "a civilian-military government of transition" that would replace the army with a democratic regime in two or three years. Agencies

## Brazilians mourn victim of terror bomb attack

RIO DE JANEIRO — Thousands poured into the streets of Rio yesterday for a funeral procession for the victim of what is thought to be a terrorist bombing.

They were mourning Mrs. Lyda Monteiro da Silva, 58, a secretary of the Brazilian Bar Association, who was killed by a bomb that exploded on Wednesday in her office.

Other bombs went off at Rio's City Hall, injuring six people — one of whom was blinded and is critically ill — and at small circulation opposition newspaper, Tribuna Operaria.

The marchers carried signs saying "down with the dictatorship" and "punishment for terrorists."

People in office buildings cheered and threw paper from their windows as the funeral procession and demonstration went by, en route to St. John the Baptist Cemetery.

President Joao Figueiredo, the head of the Brazilian military regime, who has promised democratic rule, said the terrorist attacks "endangered national security." He ordered a federal police inquiry. A.P.

## Census 'will not change for Congressional seats'

BY PATTI REALI IN WASHINGTON

THE U.S. Bureau of the Census has announced that it will not adjust its population figures for the allocation of Congressional seats. It may, however, consider a recount for the allotment of federal funds to state and local governments, says Mr. Vincent J. Barabba, Director of the Census Bureau.

As required by the U.S. Constitution, the official census serves as the basis for "fair apportionment" of the seats in the House of Representatives every 10 years. The allocation

of over \$50bn in Federal aid to state and local governments also depends on census information.

The Census Bureau has come under attack from the mayors and governors of major American cities and states for the way the count has been conducted.

Preliminary census figures for the major cities are in and even allowing for the probability that the census missed many people, the fact is that most industrial cities have lost population since 1970.

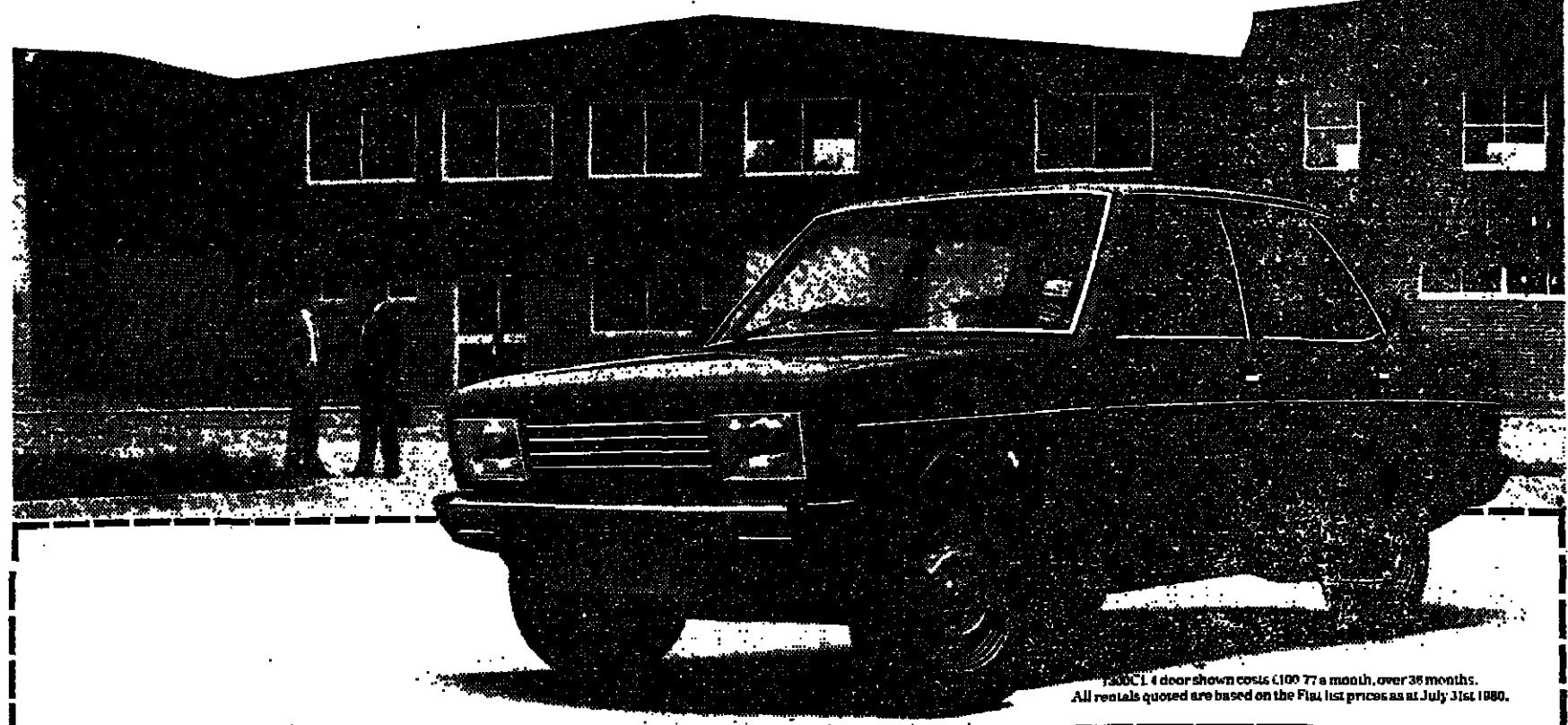
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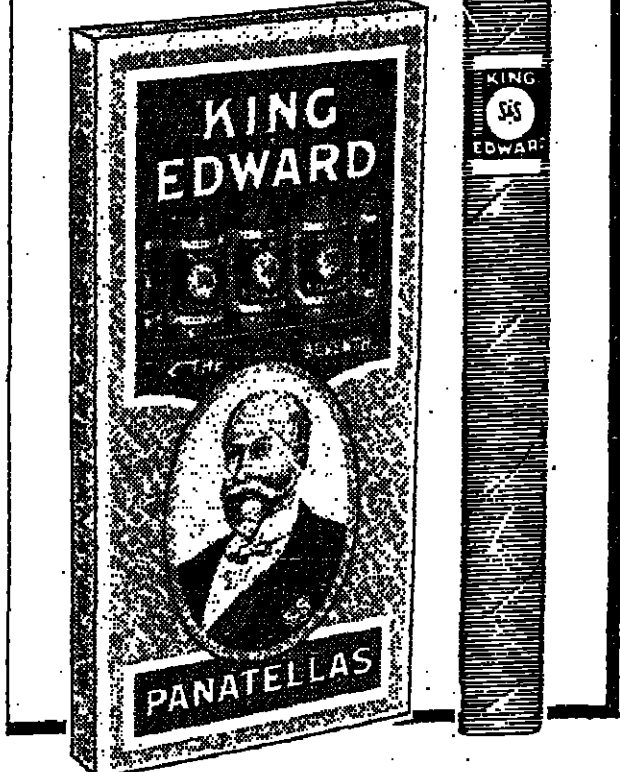
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## OVERSEAS NEWS

Mark Webster, recently in Accra, reports on the Ghana Government's bid to rescue its crippled economy

## Lean times in the land of milk and sardines

A Ghanaian shopper bangs angrily on the door just slammed in his face. A dozen others in the queue drift disconsolately away. "The shop was selling milk and fish," explains a passer-by.

Tinned milk and sardines, once the staples of Ghana's import-hungry urban population, are practically unobtainable in Accra, the capital. Emptiness of the shelves is broken only by occasional rusty tins of Bulgarian peaches and British vegetable salad, each costing more than a worker's daily wage.

The stringent policies of President Hilla Limann's 11-month-old Government are slowly restoring international confidence in Ghana's economy. But the Administration's determination to live within its means has made the already unenviable lot of the 11m Ghanaians even tougher.

Signs of the economic crisis are everywhere: hotels cut soap into thin slices to provide for each room; eight waiters stand in a bar telling customers there is no beer; wealthy Ghanaians pay \$70 to fly to Lagos to fill their suitcases.

President Limann's Government came to power in September last year with plenty of goodwill but empty coffers. The decade of mismanagement and corruption under successive regimes was compounded by the brief reign of the Armed Forces Revolutionary Council, led by Lt.-Col. Jerry Rawlings.

Mr. Rawlings' rule succeeded in undoing the little progress made under the military ruler he overthrew, General Fred Akuffo. When General Akuffo faced the firing squad, so did Ghana's slender hopes of economic recovery. In the three months the Revolutionary Council were in power they flogged market traders who overcharged and blowing up the homes of

hoarders. But they emptied Ghana of the few stocks which had been built up.

To boost flagging morale, President Limann's Government promised to "flood the market in six months." The message now is more dire. "We must live within our means," said Mr. A. E. K. Ashiebor, the Central Bank governor. And that is just what Ghana is doing.

Import licences are issued strictly in relation to available foreign exchange. Quotas are enforced for industry, mining and agriculture, with little left for consumer goods. But so little foreign exchange is coming in that industry is still working at under 30 per cent of capacity, mining desperately needs new capital equipment, and agriculture—especially the main foreign exchange earner, cocoa—has declined inexorably.

The Government has no illusions about its plight. Ghana ran increasingly large budget deficits up to mid-1978, and despite efforts to narrow the gap the deficit equalled 40 per cent of total spending in 1979. To meet those deficits, the Government relied on printing money. Money supply and credit grew by 300 per cent between the end of 1974 and mid-1978.

The balance-of-payments deficit had been getting steadily larger for over a decade. For the three years up to 1979 it averaged \$89m a year. Foreign debt totals more than \$1bn, although servicing this presents no immediate problem as much of the debt is long-term. And inflation which reached three figures in 1978 and 1979, is now down again to around 50 per cent a year.

The other significant declines have been in real gross domestic product, which shrank by 10 per cent between 1974 and 1978, and cocoa exports, which account for nearly 80 per cent of foreign exchange earnings.

Cocoa exports last year were the lowest since independence in 1957.

Ghana's problems are so enormous that any efforts to tackle them look puny by comparison. President Limann's Administration has been criticised for moving

overcome your short-term problems."

The Government feels that Ghana's crippled economy and fragile democratic system will not stand any more shocks. As a result, the Administration's first two budgets have tried to



Imported consumer goods are scarce in Accra market: what little foreign exchange comes in is spent on industry, mining and agriculture.

ing too slowly, for lack of co-ordination between ministries, and for the dispersed way the bureaucracy does its job.

The Government replies it is doing its best against impossible odds. "I like to think of myself as a realist," said Mr. Amon Nikol, Minister of Finance and Economic Planning. "I know what we are capable of doing and what we are not capable of doing... it is no good making long-term plans until you have

balance the conflicting interests of cutting borrowing from the banking system while maintaining employment in the 290,000-strong civil service and feeding money into the neglected productive sectors—especially agriculture.

The result is that the civil service, which swallows some 60 per cent of total government spending, looks like a giant social security programme. The Government's inability to trim

the civil service contributed significantly towards a 21 per cent increase in the budget announced in June. The planned deficit is Cedis 1.6bn (\$246m), a total budget of Cedis 7.3bn (\$1.12bn).

The Government also wants to protect private-sector jobs, and industry has had to keep paying its workers while prices are controlled, output is declining and costs are higher.

Given co-operation from the unions, as well as foreign assistance, many people in government are optimistic that Ghana's economy will begin to improve in a year or two. "What we need now is an injection on the supply side," said the Central Bank governor.

Britain has promised a £10m line of credit from the Export Credits Guarantee Department to help the timber and mining industries, but much hinges on agreement being reached with the International Monetary Fund.

An agreement with the Fund in mid-1978 became invalid because of the Rawlings coup, and the Government is anxious that any new understanding should take account of the present state of the economy. Diplomats say up to \$550m is available to Ghana as a three-year facility, but big sacrifices would have to be made, including slimming the bureaucracy, ending price controls and devaluing the inflated cedi.

There is every chance that agreement will be reached by the end of the year, officials concede, but Ghana will stand out against any immediate devaluation. "How do you devalue on the basis of empty shelves?" asked the Central Bank governor. But, in return for agreement, Ghana could offer a phased reduction in the civil service over five years, the promise of eventual devaluation, and improved management of state-controlled companies. I am not opposed to bringing in managerial

knowhow from the private sector or expatriates," said Mr. Nikol.

The Government has already invited a West German company to manage the national Black Star shipping line and a foreign airline is being sought to take charge of Ghana Airways.

The Government has to tread carefully, partly because it knows that a restless military could still cause trouble and partly because it respects democratic procedures. Ghana's House of Assembly, democratically elected and running on a U.S.-style constitution, is an achievement which is perhaps under rated.

President Limann has the advantage of an 84-seat majority in the 140-seat House, thanks to an agreement between his People's National Party and the smaller United National Convention. Although he has been criticised for weakness, he took full control of his own party at the last party congress, and is now undisputed leader of what is, in theory, the heir to former President Kwame Nkrumah's socialist Convention Peoples Party.

The President has tried to right some of the grosser abuses of the law by the Rawlings regime. Decisions taken by them were entrenched in the constitution and cannot be changed, but legally sensitive Ghana is concerned about the 150 or so soldiers and civilians jailed after the Revolutionary Council's secret trial by "People's Courts."

For the time being, though, the talk in government is all of the economy. With rich natural resources of cocoa, timber, gold, diamonds, manganese and bauxite, the Administration is optimistic that Ghana's medium and long-term prospects are good. They say it is only a matter of time before it again becomes a "land of milk and sardines."

## Hard-liner may be new Israeli defence chief

BY DAVID LENNON IN TEL AVIV

ISRAEL'S PRIME MINISTER, Mr. Menachem Begin, is facing more problems with his Cabinet, from which six ministers have resigned in the past three years.

While he appears to have finally found a replacement for Mr. Ezer Weizman who quit as Defence Minister in May, Mr. Begin is facing the possible loss of two other Ministers.

Prof. Moshe Arens, the hard-line chairman of the powerful Knesset foreign affairs and defence committee, is now believed to be Mr. Begin's choice for the Defence portfolio. The American-born professor of aeronautics played a key role in the development of Israel's Kfir Mach 2.3 fighter aircraft.

But if his choice is confirmed, this may lead to the resignation of Mr. Ariel Sharon, who as Agricultural Minister, has been responsible for pushing through the Government's controversial Jewish settlement programme in the occupied West Bank.

Mr. Sharon, regarded as a war hero after he led his troops across the Suez Canal in 1973, claims his long military experience most fits him for the job. He has threatened to resign if the Defence portfolio is given to anyone else.

A further problem for Mr. Begin is the police investigation of alleged bribery and corruption in the Ministry of Religious Affairs. The investigation is now focusing on the Minister himself, Mr. Aharon Abuhatzira,

who has denied all impropriety, but says he will resign if any evidence is found against him.

Meanwhile, Israel's troubles over the recent law proclaiming all Jerusalem as its capital continue. Colombia has become the tenth country to announce it is moving its embassy from Jerusalem to Tel Aviv in protest, leaving only three embassies still in the capital.

In addition, Switzerland has refused to sign an agreement on consular rights with Israel in Jerusalem, because of the "the known reasons of international law." A Swiss government official has announced Israel views this move as particularly serious, because it challenges not only Israel's annexation of Arab East Jerusalem, but also the status of Jewish West Jerusalem as the seat of Israel's Government.

Reuter adds from Beirut: Israeli planes and patrol boats attacked Palestinian positions in renewed raids on South Lebanon on Wednesday night, an official of the UN peace-keeping force said yesterday. Israeli helicopters and planes dropped about 60 fares over the coastal town of Tyre and fired rockets at unknown targets inland, the official added. He also claimed a patrol boat fired four rounds at Rashidiyeh, south of Tyre, where a big Palestinian refugee camp is located. The Joint Palestinian-Libani forces in the South said the Israeli fire was returned. No casualties were reported.

## Sadat sends deputy on mission to Europe

By Alan Mackie in Cairo

EGYPT'S Vice-President, Dr. Hosni Mubarak, starts a European tour today, to brief leaders on Egypt's reasons for halting the Palestinian autonomy talks, and to discuss future moves to get the peace process moving again.

His two-week trip will take him first to West Germany, then to France, where he is expected to discuss bilateral relations. France recently agreed to provide funds to build a Cairo metro and has been active in telecommunications projects in Egypt.

In the UK, his next port of call, he will have discussions with Mrs. Margaret Thatcher, the Prime Minister, and top Foreign Office officials, as well as attending the Farnborough Air Show.

The UK, with France, has been keen to sell arms to Egypt, but the most promising vehicle for this, the Arab Organisation for Industrialisation, which would have set up an indigenous Egyptian arms industry, was disbanded with the Arab boycott of Egypt last year.

Westland's case for compensation for a helicopter assembly plant it was building for the AOI is likely to be brought up. Dr. Mubarak will then visit Italy, the Vatican, Austria and Romania.

David Buchan adds from Washington: Mr. Sol Linowitz, the U.S. special envoy, leaves today for the Middle East in a last effort to revive the stalled negotiations for Palestinian autonomy this year.

## Jordan's Prime Minister resigns

Dr. Qassem Al-Rimawi, Jordan's Prime Minister, yesterday submitted his resignation. His successor is Mr. Mudar Badran, a former Prime Minister who resigned last December. Rami Khouri reports from Amman. Dr. Rimawi, 60, formed his government after the sudden death of his predecessor Mr. Sharif Abdel-Hamid Sharaf, on July 3. No reason was given for Dr. Rimawi's resignation.

## Rebels 'to surrender'

Secessionist rebels on the South Pacific island of Espiritu Santo are expected to surrender today, an official of the Vanuatu Government said yesterday. Reuter reports from Port Vila. "Their position is hopeless and we've got most of them anyway," the official added.

## Japan economy move

The Japanese Government is to adopt new measures next week to boost the economy, which has been showing signs of slowing down. Reuter reports from Tokyo. The cabinet council on the economy will meet on September 5, to decide what should go into the package, the Economic Planning Agency said yesterday.

Mr. Rokusuke Tanaka, minister for international trade and industry, said the Cabinet Council would push for early conclusion of public works contracts, and provide increased funds for housing and promotion of exports of industrial plant.

## S. Africa record industry heads for best-ever year

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S record industry is heading for its best year while record producers elsewhere are bemoaning falling sales.

The industry estimates that sales this year are likely to reach R60m (£33m) and should continue to grow well into 1981. However, the country's Competition Board has announced an investigation into monopoly allegations.

These have been building up for months, the major manufacturers, who are members of the Gramophone Record Manufacturers Association (GRMA), sought ways to overcome potential sales losses because of an increase in the level of home tapes.

The industry estimates that home tape-recordings of records cost the industry an annual R25m (£14m) in sales—and excludes pirating of recordings for sale.

As it is, however, about 10m blank tapes are sold in South Africa every year compared with about 5m long-playing records priced at an average R10 per disc.

Mr. Clive Kelly, chairman of the GRMA, claims that at that price, record manufacturers are left with a mere 2.7 per cent net profit.

Records cost about R2 each to manufacture with another 40c for the sleeve. But on figures calculated by EMI (the country's largest blank tape pro-

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## Mugabe woos foreign investors

BY DAVID TONGE

ZIMBABWE'S Prime Minister, Mr. Robert Mugabe, yesterday launched in Britain a bid to attract foreign investors to Rhodesia and increase Western aid.

He raised these matters at a working lunch with Lord Carrington, the British Foreign Secretary who had just returned from Saudi Arabia.

Mr. Mugabe had started his campaign earlier in the week in the U.S. There, he managed to persuade the Administration to reconsider its commitment of \$15m aid and to announce that it was "working towards a figure of \$150m."

Two months ago, Lord Carrington had expressed extreme disappointment at the level of aid offered to Zimbabwe by Britain's friends and allies. He pointed out that it was in this period that the success or

failure of the Lancaster House talks was really being determined.

At the time, Zimbabwe was hoping that a donor conference could be arranged this autumn, perhaps under World Bank auspices. However, these hopes have now been dashed and the next main development expected is when Zimbabwe negotiates with the EEC its accession to the Lomé Convention.

Britain has promised Salisbury £75m aid over the next three years.

Mr. Mugabe's visit to London began as his visit to Washington had ended, with him publicly criticising Gen. Peter Walls, the former head of armed forces in Salisbury.

Asked at Heathrow whether there was still a place for the General in Zimbabwe he said: "No, categorically none at all

for a man like that. I wouldn't have him and I would rather he left Zimbabwe as soon as possible."

Asked what measures he would take, he said: "We will take every possible step. That is all I can say." Gen. Walls is shortly due in Britain for a two-month holiday.

## Hong Kong prices

Consumer prices in Hong Kong rose by 3 per cent in July. Philip Bowring reports from Hong Kong. The Government placed the main blame on the impact of "typhoon Joe" on food and vegetable prices. The July rise left the consumer prices index 16.4 per cent above its level of a year ago.

## Ethiopia denies 'invasion'

NAIROBI—Ethiopia yesterday denied that its troops had invaded Somalia and said the story had been fabricated to accelerate U.S. arms deliveries to the Mogadishu Government.

The official Somali news agency Soma yesterday said its army had repulsed an invasion of north-west Somalia by Ethiopian ground and air forces, inflicting heavy losses and shooting down one Soviet-made MiG-21 fighter-bomber.

The charge and counter-charge are the latest exchange in the long-standing conflict between the countries over the Ogaden region.

This is the first time in the bitter territorial quarrel that Somalia has claimed Ethiopian troops crossed the border. No independent corroboration of the alleged invasion was immediately available. Agencies

## Bangladesh floods worsen

BY OUR DACC A CORRESPONDENT

NEARLY HALF of Bangladesh is now in the grip of flood waters which have so far taken a toll of about 350 lives and affected nearly 20m people.

The capital city of Dacca, which so far escaped the ravages of flood that began in the northern areas more than two weeks ago, is faced with one of the worst floods in its history.

Two flood protection embankments are threatened under the pressure of flood waters and thousands of people who had taken shelter over them have been asked to move elsewhere immediately. If the two embankments give in, over 1m of the city's 2m people would be seriously affected.

As water levels in about a dozen districts are slowly receding still running several feet above the danger level—new areas elsewhere are being flooded. Disease has broken out

flood waters have contaminated water tanks and wells and pure drinking water is in short supply.

In another development, Bangladesh President Ziaur Rahman will pay a brief day-long official visit to Paris.

While in Paris, Zia will sign a nuclear cooperation agreement.

According to a report, Zia is likely to ask the French president to provide \$400m for the establishment of a nuclear power generating plant.

The total development outlay of the second five year plan launched last month is \$18.5bn and includes nearly \$13bn for investment and working capital requirements.

The \$13bn in investment is to be financed by a net inflow of external assistance of nearly \$9bn and domestic savings of about \$4bn.

## ENERGY REVIEW: MALAYSIA

BY WONG SULONG, KUALA LUMPUR CORRESPONDENT

## Careful heirs to a gas bonanza

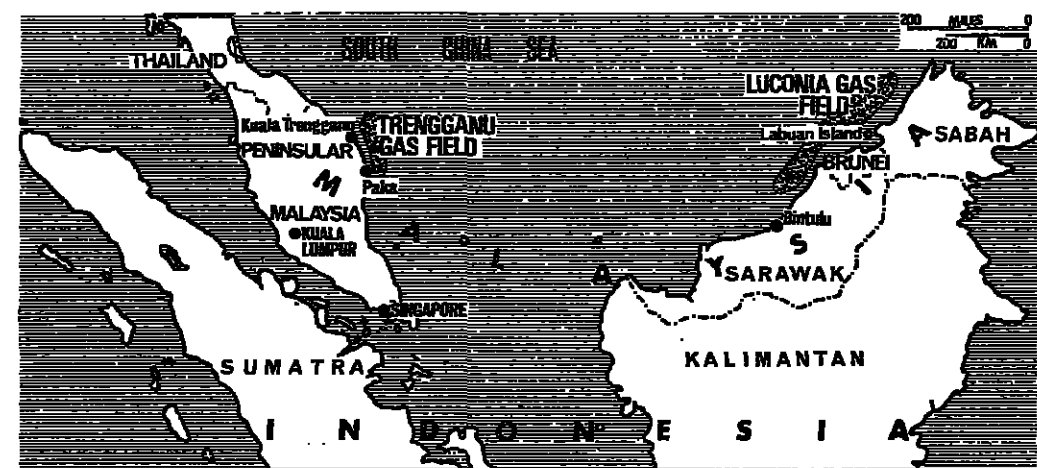
BRITISH oilmen are drilling half a dozen confirmation wells in the calm waters of the South China Sea. Under an agreement signed last year, the British National Oil Corporation (BNOC) will provide technical help to Petronas, the Malaysian oil company, to evaluate and exploit a natural gas find at Duyong, 140 miles off the coast of Trengganu in the north-east of Malaysia.

This willingness of the Malaysians to learn from BNOC is a reflection of the growing confidence of the men at Petronas. When the Malaysian oil company was set up six years ago, Malaysians knew very little about oil but were unwilling to admit it. Now they know more and say they still have plenty to learn.

Malaysia is fortunate country in terms of resources. In the past two decades, its economy has diversified to such an extent that its traditional strengths—rubber and tin—now account for less than 30 per cent of its exports, compared with 80 per cent in 1960. Apart from rubber and tin, the country now has resources of palm oil, timber, an expanding manufacturing sector and lastly oil and natural gas. (For the first time, oil this year will become the nation's top export.)

The discovery of oil and gas could not have been better timed. Finds were made in the early 1970s, and exploitation did not get under way until after 1976 by which time oil prices had soared. The growing oil revenues are particularly useful at a time when Malaysia feels the need to sustain economic growth at a time of recession, and to beef up its armed forces against an external Communist threat.

Malaysia's oil and gas reserves are small by the standards of the Organisation of Petroleum Exporting Countries—one reason why it has not applied to join OPEC. But its natural gas reserves are among the biggest in the world. Malaysia can expect to emerge as a leading exporter of liquefied



natural gas (LNG) within the next few years.

Petronas officials are reluctant to discuss the size of the country's oil and gas reserves, largely because it is determined not to be regarded as a sort of national charity organisation, and experience the sort of problems of Indonesia's oil company, Pertamina a few years ago.

For a long time, oil reserves were officially put at 1bn barrels until March when this figure was quietly revised upwards to 1.6bn barrels. Most foreign oilmen think the new estimate is still conservative.

The non-associated natural gas reserves found by Shell in Central Luconia, off the Sarawak coast, have been officially put at more than 23 trillion cubic feet—9.7 trillion cubic feet in proven reserves, and 14.4 trillion cubic feet in probable reserves.

The Luconia gas field will be able to supply Japan with 6m tonnes of LNG annually for 20 years starting in 1983, with plenty left over to feed several major gas-dependent industries in Sarawak.

The Luconia fields are dwarfed by the fields discovered by Esso off Trengganu. The exact size of the Esso find has not been disclosed. Up to a

few months ago, Petronas officials did not even admit to its existence. But Dr. Mahathir Mohamed, the Deputy Prime Minister, has estimated it to be one-and-a-half to two times larger than the Luconia reserves.

Growing self assurance, and the knowledge that it is heir to a huge financial bonanza, has not given Petronas grandiose dreams. The people running the organisation are former civil servants, noted for financial prudence, and are without political ambitions.

As Petronas has become more wealthy and influential, it has also grown more conservative. Its policy is to mind its own business, which is in oil and gas, and to stretch these resources for as long as possible, while accommodating the understandable desire of foreign oil companies to recover their investments in the shortest possible time.

Recently, the Cabinet gave its backing to Petronas' thinking by adopting a national oil depletion policy.

According to Mr. Rastam Hadi, Petronas' managing director, an average of 200m cu ft of associated gas—equivalent to 40,000 barrels of oil—is being flared in the course of

lifting 300,000 barrels of oil each day. Mr. Rastam feels it may be possible to use as much as 80 per cent of this associated gas. One example of ways to save a wasted gas is an agreement signed recently between Petronas, Shell and the Sabah Government to supply 60m cu ft of gas to Labuan Island to feed a sponge iron plant.

Foreign oil companies have had to reduce oil production for the sake of gas conservation: oil output has been cut from 300,000 barrels at the end of last year to 280,000 barrels in recent weeks. It could fall further to around 250,000 barrels, but Mr. Rastam points out that oil revenues will actually be higher since prices have risen sharply.

This tough conservation policy is naturally not popular with Shell and Esso, the two companies currently producing in Malaysia. They have to slow down their investment programmes considerably to accommodate Malaysian interests.

But what is even more disturbing to them was last April's sudden imposition of a 25 per cent tax on "profit oil."

Under the production-sharing agreements signed in 1976, Shell and Esso can keep as much as 41 per cent of the oil produced, by way of 20 per cent as cost

كتاب النحل



## UK groups urged to stay active in Iran

By Simon Henderson

BRITISH BUSINESSMEN involved in trade with Iran have been encouraged by the Government to keep active in the market in spite of sanctions and the political problems affecting relations between Iran and the West.

Even with the imposition of sanctions, designed to exert pressure for the release of the U.S. hostages, Iran was expected to be the second or third most important market for Britain in the Middle East this year, Mr. Owen Kemmis, an assistant secretary at the Department of Trade, told a London Chamber of Commerce gathering.

Mr. Kemmis, though conscious of the dilemma of supporting the U.S. and looking after British trade interests, advised British businessmen to watch political developments closely, observe the sanctions and maintain interest in Iran as a market for the future.

British exports to Iran in the first six months of this year, totalling £210m, almost equal to the figure for the whole of 1979, but still well below the level of \$751m recorded for 1978. Exports fell slightly in July, but Mr. Kemmis said it was difficult to relate directly sanctions which took effect on May 30 to this figure.

More than 100 businessmen including some Iranians, attended the meeting, representing banks, engineering companies, consultants and shipping companies. Mr. Kemmis' own statement that British companies were well entrenched in the vehicle, machinery, pharmaceutical and chemical sectors in Iran.

The scope of sanctions against Iran relates mainly to new contracts which cannot be considered a "modification, simplification or extension of existing contracts" or are not in the "established course of business dealing."

Among exemptions are foodstuffs and medicines.

Mr. Kemmis explained that the Government's methods of monitoring sanctions had not so far disclosed any attempt to break them.

He said it was difficult to tell whether sanction breaking contracts were being diverted through ports in the Gulf.

Other points made were: ● Financing of exports was now working well after some confusion immediately after sanctions started when Iranian banks wanted to see "export licences" (which are not part of the British system) before they would open letters of credit.

● The payments record was now good, the great majority of debts referred to the period before the revolution in February 1979.

● Carriers were reluctant to accept goods on an f.a.b. basis because of difficulties in otherwise being paid in hard currency.

● The loan will help finance a contract awarded to Rolls-Royce for the supply of RB211-524 aero engines, spares and support equipment to power five Lockheed L1011-300 TriStar aircraft ordered by ALIA.

## World crude output falls in first half

BY MARTIN DICKSON, ENERGY CORRESPONDENT

FALLING international demand for oil has been underlined by new figures indicating that worldwide crude production fell during the first six months of this year compared to the same period of 1979.

According to Oil and Gas Journal, the U.S. weekly magazine, worldwide production in the first six months of 1980 averaged 61.4m b/d, compared to 61.8m b/d during the same period of 1979. It estimates that this was the first time that January-June output had fallen since 1975.

The lower production reflects a sharp drop in the demand for oil products which has led to a substantial supply surplus, currently estimated at between 2m and 3m b/d. This is, in turn, putting pressure on nations belonging to the Organisation of Petroleum Exporting Countries to cut production or shave their prices.

Oil and Gas Journal estimates OPEC's first half production to have been 28.5m b/d, some 5.5 per cent less than during the same period of 1979. Saudi Arabia and Iraq were the only OPEC members with higher production levels.

However, declining OPEC production was offset to some extent by production increases in Communist countries, the

## Canada may gain coal deals from Australia strike

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA has lost a number of long-term coal contracts because of the strike of Queensland miners which has been going on for eight weeks. Mining companies whose production has been halted say that the implications could last damagingly longer.

Mr. Gillespie Robertson, marketing manager for Utah Development, Australia's biggest coal mining company, said that the country's reputation as a stable source of coal supply was being damaged by the strike which affects more than half of Australia's coal output.

He said that Utah had received a letter of intent for coal purchases from India, but had been unable to deliver the coal. He also cited a short-term Egyptian contract which could

have developed into a long-term deal had Utah been able to deliver. He said the buyer would look elsewhere if Utah could not find replacement coal.

The biggest customer for Queensland coal produced by Utah, Broken Hill Proprietary, CRA and Theiss are the Japanese Steel Mills which have protested to the Australian embassy in Tokyo about the strike.

The Japanese hinted that they might develop coal projects elsewhere, such as Canada, as part of a diversification programme. Currently about 40 per cent of Japan's coking coal comes from Australia; ideally, Australia would supply a third, Canada a third and the rest of the world a third of Japan's coal.

Japanese officials in Australia have confirmed that Japan is buying coal on the spot market partly because of the loss of Australian coal caused by the strike. Stockpiles held by the mining companies in Australia and by the Japanese Steel Mills have mitigated the effects of the strike, but most observers believe there is not enough coking coal of the quality required by the Japanese mills on the spot market if the strike continues much longer.

The mining companies estimate that so far 5m tonnes of coal has been lost because of the strike. Utah estimates its losses at roughly A\$100m (£49m). The Federal and Queensland State Governments are estimated to be losing around A\$8.5m a week in taxes

and the 4,500 miners are estimated to be losing about A\$1.5m a week.

Canadian coal is generally more expensive to extract than Australian coal, but mining and trade officials say it is possible that the Japanese will be prepared to pay a premium for diversity and that the Australian strike may tip the balance in favour of some British Columbian projects.

Australia's future as a major coal exporter is not in jeopardy as there are expected to be plenty of buyers for coal for power generation in the 1980s. But all mining companies are having difficulty achieving the long-term contracts they need to secure new projects and they fear the strike will delay development

as buyers are reluctant to commit themselves to contracts when the country has a poor industrial relations record.

The companies say that Canadian strikes are more predictable, usually occurring over wages when contracts are renewed. The Queensland strike is over a federal government proposal to tax miners on the subsidised houses they rent from the mining companies.

The miners rent houses at around A\$5 a week. Under income tax laws the Government considers the difference between the A\$5 and the market rental for the houses to be income and wants to tax it accordingly.

In a compromise the Government has assessed the market rental of the houses at A\$16

a week and offered to phase in the average extra tax of A\$6 a week over three years.

The miners who earn an average of \$425,000 a year, or roughly twice the average weekly earnings in Australia, say the money is not the point. It is the principle of taxation on subsidised housing to which they object. And they have a lot of support from other unions, which have contributed up to \$A100,000 a week to the strike fund.

The dispute seems deadlocked as Mr. John Howard, the Treasurer, has said the Government cannot exempt the miners from the tax or it would open a floodgate of tax avoidance through employers providing their employees with subsidised housing.

## Ford hopes for larger Toyota car venture

BY RICHARD C. HANSON IN TOKYO

FORD MOTOR COMPANY has apparently suggested that any possible U.S. joint venture to produce cars with Toyota Motor should be on a much larger scale than the Japanese were originally proposing.

In the latest burst of smoke surrounding the unusually public courtship between the two giant car makers, Ford chairman, Mr. Philip Caldwell, told a Japanese newspaper that

a joint production venture should aim at around 40,000-50,000 cars a month. Toyota is said to have originally broached the subject of a joint venture with Ford to build roughly one-third that volume.

Mr. Caldwell told a Nihon Keizai Shinbun reporter that his company has not turned down the Japanese proposal outright, but that it also did not have any set timeframe for any agreement.

There had been earlier re-

ports that Ford's reaction to the idea had been negative. In the interview, the Ford chairman said that he thought potentially U.S. anti-trust law barriers to a joint venture between the two companies might not be a problem.

Toyota Motor had little reaction to the interview, beyond saying that Mr. Caldwell sounded rather "positive" about the idea. The two sides, however, appear to be a long way from reaching even a ten-

tative agreement.

Toyota claims that it was serious in proposing the matter, brushing off the suggestion that it was made in part to help defuse the outcry in the U.S. over Japanese car imports.

The main attraction of a joint venture to Toyota is probably that it offers the least expensive means of proceeding with the very risky business of entering large-scale car production in the U.S. The benefits for Ford are somewhat less apparent.

## A-310 parts order signed

BRITISH AEROSPACE and Hawker de Havilland Australia have signed a contract in Sydney for the manufacture in Australia of components for the A-310 Airbus wide-body airliner.

The contract covers 150 aircraft sets of wing in-spar ribs valued at about £3m.

Deliveries of these components will commence in mid-1981.

The contract covers all existing orders and options for this version of the Airbus and so places Australia in a highly competitive position for further

work. Mr. R. Kingsford-Smith, chairman of Hawker de Havilland, said the contract was the beginning of an important relationship for Hawker de Havilland with British Aerospace.

Australia has already been offered a variety of articulation opportunities covering a range of advanced manufacturing technologies. They include titanium fabrication and forging and manufacture to advanced composite structures," Mr. Kingsford-Smith said.

## Filipinos to build Iraq road

MANILA — The Construction and Development Corporation (CDCP) of the Philippines has signed a \$285m (£120m) contract with Iraq to construct a portion of an expressway linking that mid-east country to Syria and Kuwait.

Mr. Rodolfo Cuenca, the company president, told a news conference the contract, signed in Baghdad last week, calls for CDCP to construct the Baghdad-Basrah Axis, a 140-kilometre, six-lane, asphalt segment of the proposed 1,200-kilometre-long Iraq expressway No. 1.

He gave no completion target date but said construction would begin after procedures on travel to Iraq by about 1,700 Filipino workers have been set. The Philippine National Bank is putting up \$40m in guarantees.

● Chiyoda Chemical Engineering and Construction and Mitsui have signed a \$100m (£42m) contract to supply a purified terephthalic acid (PTA) plant to China American Petrochemical of Taiwan. China American Petrochemical Co. is owned equally by Amoco of the U.S. and a Taiwanese company.

The plant is to have an annual production capacity of 150,000 tons of PTA and will be built by the end of 1982. PTA is a material for making polyester fibres. Agencies

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## UK NEWS

## Shrinking profits hit many countries

By Hazel Duffy, Industrial Correspondent

FALLING profitability in industry has become a common feature in several countries over the past decade, according to figures published in the official magazine *British Business* today.

The rate of decline in German profitability appears to have been at least as great as in the UK, although the fall has been a much higher level. The U.S. and Canada also show signs of a declining trend, while Sweden and Norway have both fallen below the UK in the past five years in the profit share of their industry plus transport.

The study which forms the basis of the international comparisons was done by Professor T. P. Hill of the University of East Anglia, for the OECD, and used in a paper submitted by the Industry Secretary to the National Economic Development Council last year. These have since been updated by Professor Hill.

As with all international comparisons, however, some caution has to be exercised before drawing definitive conclusions. Two bases of comparison are used in the study—(1) profit shares, defined as net operating surplus as percentage of net value added; (2) net rate of return, defined as net operating surplus as percentage of net capital stock of fixed assets.

The general picture that emerges is of declining trends in profit shares and more marked declines in rates of return.

The UK is at or near the bottom of the range on all comparisons except for profit shares in manufacturing industry, in terms of which the UK occupied a medium position until recent years. But Germany has suffered as much decline as the UK in manufacturing industry, although from higher levels, and in all industry and transport Germany shows a much sharper decline than the UK.

In 1980-82, for instance, the profit share average for German industry plus transport was 22 per cent, which had declined to 23 per cent in 1976-78. The UK started with the much lower figure of 23 per cent, but this had fallen less steeply to 17 per cent in 1976-78. The figure for Norway at the end of the period was 14 per cent, and for Sweden 7 per cent.

**Scottish offices 'should close'**

THE GOVERNMENT faces an embarrassing decision following a report from a committee of MPs yesterday which recommends that the Scottish Development Agency should be deprived of its responsibility for seeking industrial investment from abroad.

The report from the Select Committee on Scottish Affairs, as expected, suggests that the Agency's overseas offices should be shut and their functions passed on to the existing consular system.

The report claims the agency's record of attracting investment has been poor but accepts that it is still an important role for it at home.

## Rolls-Royce praised for economy

By Lynton McInnes

THE MOST significant single decision taken by Qantas as part of its recent restructuring was to equip with Rolls-Royce engines. Sir Lennox Hewitt, who until earlier this year was the chairman of the airline, told delegates yesterday.

He is now a member-elect to the board of directors of Ansett Transport Industries, which owns Australia's internal airline.

The design philosophy of the RB-21 was different from competing engines, he said. The "three-spool" design was already showing significant benefits, including greater fuel efficiency for improved range, higher thrust and greater durability.

The 324D4 version of the engine would enable Qantas to be the first airline to operate a 747 Jumbo jet at 833,000 lbs take-off weight, 100,000 lbs over the original design of the first 747 nine years ago.

Improved fuel efficiency and take-off weight would represent an extra 2,000 miles of range, 50 per cent over the original 4,000 miles.

Mr. Donald E. Stengel, director of the Export-Import Bank of the U.S. said that, in the 1979 fiscal year, the bank had provided finance for 128 commercial airlines, sold to 28 countries by Boeing, Lockheed and McDonnell Douglas.

## Recession forces 8.4% fall in energy consumption

BY MARTIN DICKSON, ENERGY CORRESPONDENT

BRITAIN USED 8.4 per cent less energy in the first half of this year than it did in the same period of 1979—as a result of the recession, higher fuel prices, and conservation measures.

Demand for all fuels was hit, but the most significant change was in the consumption of oil products, which fell by 15.4 per cent, according to the latest issue of *Energy Trends*, the Department of Energy's monthly statistical bulletin.

This was partly due to a major switch to coal burning at power stations, where consumption of fuel oil fell 41 per cent in the January-June period compared with 1979.

By the second quarter of this year, however, demand for all oil products apart from aviation fuel was below 1979 levels. This even included petrol, which until then had bucked the general downward trend. Second

quarter petrol deliveries were down 0.6 per cent, suggesting that motorists were at last beginning to react to sharp price increases.

Energy Trends estimates that the UK's total primary energy consumption in the first six months of 1980 was 174.6m tonnes of coal equivalent, compared with 190.6m tonnes in the same period of 1979.

The decline continued throughout the period: in the April-June quarter, consumption was down 9.9 per cent, with oil use falling by 15 per cent, coal by 6.1 per cent and natural gas by 6.5 per cent.

The Department pins much of this on the recession, pointing out that during the second quarter the all-industries index of industrial production was about 6.5 per cent down on last year.

The electricity supply industry

provided 6.8 per cent less power in the first half of the year than in 1979, but second quarter statistics suggest that this fall may be bottoming out: April-June supplies were down 5.2 per cent on the previous year.

Lower than expected electricity demand has hit the supply industry's profits, and is having a serious knock-on effect on the coal industry. Power station consumption of coal fell by 2.1 per cent in 1979 between April and June—in spite of the switch from oil burning.

The nation's overall coal consumption was down 3.5 per cent in the three months between May and July, partly because of the recession in the steel industry.

By the end of July, coal stocks stood at 32.9m tonnes, an increase of more than 1m tonnes during the month and over 5m tonnes more than in July last year.

## Ford joins Nigerian truck deal

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE ALREADY considerable turmoil in the Nigerian truck industry will be increased as a result of a deal which will involve Ford supplying from the UK up to 2,000 trucks a year worth £15m for local assembly by Steyr-Nigeria.

The trucks, 12-ton D-series vehicles using Ford's 6.2 litre diesel engine, will be assembled from completely knocked down kits at Steyr's plant at Bauchi in the north of Nigeria.

Ford previously exported truck kits to Nigeria, but shipments ended some years ago. The kits will be sent from the Langley plant in the UK, where last year some 41,800 D-series trucks were made, including 15,356 in kit form and a further 7,661 for export fully built up.

—Steyr-Nigeria was set up in

1976 as one of four Nigerian Government-approved truck assemblers which were all promised protection from imports as the infant manufacturing industry developed.

All four have a majority of Nigerian shareholders, including Government stakes.

The first to move into production was Leyland Nigeria, with its plant at Ibadan, near Lagos. Steyr-Nigeria, for which Steyr Daimler Puch of Austria supplies the technology, began operations a year ago.

A Fiat-managed group, Nigerian Truck Manufacturers, has completed a plant at Kano in the north but the formal opening has been delayed several times. The fourth group, in which Daimler-Benz of West Germany is involved,

will operate from Enugu in the East but the plant is still not completed.

The Nigerian truck makers' problems stem partly from the current slack demand and partly from the fact that Bedford trucks (supplied from General Motors subsidiary in Britain) escaped the ban on imports imposed to protect the new manufacturers.

Bedfords hold around 20 per cent of the market. They are assembled from kits at a plant at Apapa, set up in 1959 and operated by UAC of Nigeria.

Nigeria was the major export market for Leyland Vehicles, BL's bus and truck subsidiary. Leyland's new plant is ticking over and turning out the WF trucks and the new T43 range as well as Land-Rovers.

## BR investment level 'falls behind'

BY LYNTON MCINNES

BRITISH RAIL is falling behind other European railways in the level of investment in new track and rolling stock.

Figures published yesterday show that the total investment in railways outside the Community has been about four times larger than the British rail industry's.

The new edition of *Jane's World Railways* and Rapid

Transit Systems suggests that railways are reasserting themselves as practical and economic options for fast, efficient transport, in the face of the world fuel crisis.

But Britain was falling behind other nations in rail investment. Belgium has a rail network less than a quarter of BR's size, but the investment is

greater.

Many countries have pushed ahead with electrification schemes, but Britain has no plans beyond the current £100m project to electrify the lines between London and Bedford.

*Jane's World Railways* and Rapid Transit Systems 1980-81, price £40, 238 City Road, London EC1V 2PU.

## Jenkin says proposals on manual classes' health are 'unrealistic'

BY RAYMOND SNODDY

A RESEARCH group chaired by Sir Douglas Black, president, Royal College of Physicians, yesterday called for a major programme to reduce the incidence of poor health resulting from social inequalities in Britain.

The group, set up in 1977 by the Labour Government, found a striking lack of improvement, and in some respects deterioration, of the health experience of the unskilled and semi-skilled manual classes throughout the 1960s and early 1970s.

It made 37 recommendations to reduce inequality and to improve the general standard of health in Britain.

But in a foreword to the group's report—*Inequalities in Health*—Mr. Patrick Jenkin,

Social Services Secretary, said he could not endorse the recommendations. The report was being made available for discussion without commitment from the Government.

Mr. Jenkin regretted that there was little sign that health inequalities in Britain were diminishing but said "additional expenditure on the scale which could result from the report's recommendations, the amount involved could be upwards of £2bn a year—is quite unrealistic in present or any foreseeable economic circumstances."

Sir Douglas said yesterday that the £2bn figure covered the cost of all of the group's recommendations. Half could be implemented by a change of priorities within the health service or by administrative action which would not entail

high costs.

The group's main recommendations include:

● Setting up a Cabinet sub-committee to increase co-ordination of all Government departments involved in health-related policies;

● Setting up a Health Development Council to set national targets for health goals;

● Provision of more support for families rearing young children, through an increase in child benefit and taxation changes;

● Use of savings from the current decline in school population to finance more facilities for under-fives, including adequate day-care;

● Greater emphasis on community care.

The group also seeks more restraints on advertising and

## Luton to spend £2m at local car plants

By Maurice Samuelson

THE CONSERVATIVE-controlled Luton borough council in Bedfordshire is expected to spend more than £2m on Vauxhall and Talbot vehicles which are produced locally even though this could conflict with the Government's drive to cut local authority spending.

The money will be spent at Vauxhall, where some workers are on a two-day week, and at Talbot's Dodge Trucks plant, which will start a three- and four-day week at the end of September.

In addition, the council's 80 staff have been offered higher loans to buy new cars provided they buy Vauxhalls.

The council has agreed to spend £11m immediately. Part of this will come from its 1981-82 budget. Further purchasing plans are likely to take the total to more than £2m.

The decision was greeted cautiously by the local ratepayers' association, which is worried it will mean further rate increases.

However, the council says that most of the extra money will come from Luton airport's revenue, which last year showed a £2m pre-tax profit.

Many of the vehicles such as buses and snow-clearers, will be purchased for the airport. The council will also buy vans and park vehicles to be used in Luton itself.

Some 35,000 people in a five-mile radius of Luton are dependent on the motor industry. Vauxhall employs 25,000 at Luton and nearby Dunstable.

The sums to be spent are not large in terms of Vauxhall or Dodge Truck sales. However, the council said that it hoped that other local authorities and businesses in the area would copy its example.

The council has increased the maximum loan to buy new cars from £2,500 to £5,000 and reduced the interest from 12 per cent to 10 per cent.

Until now, the council has not deliberately favoured Vauxhall or Dodge but has bought its vehicles on the basis of the lowest possible tender.

A more direct challenge to the Government's spending curbs came yesterday from Labour-controlled Wakefield Metropolitan District Council which announced plans to spend an extra £350,000 a year to provide 130 permanent jobs.

## Private house building drops

BY MICHAEL CASSELL

HOUSE BUILDERS now expect to make a start on only 115,000 private homes during 1980—a total which would be the lowest since 1974 and one of the worst performances since the second world war.

An inquiry conducted among private housing contractors confirms the pattern of weakening confidence affecting the industry. At the time of the last inquiry in March, builders thought they might manage to start 130,000 homes in the private sector during 1980, a figure which was itself less optimistic than the forecasts being made in 1979.

Private housing starts last year reached 140,000 against 157,000 in the previous 12 months. In 1974—when private housing activity slumped badly—a start was made on only 108,000 homes.

The latest inquiry indicates that builders expect prospects to deteriorate further, with total

private starts next year falling to 110,000. The industry faces slack demand for new properties, brought about by high mortgage costs and uncertain economic prospects. Margins are under pressure because of rapidly rising construction costs and stagnating market prices.

The inquiry, carried out by the Department of the Environment, also shows that at the end of June private builders owned land with planning permission for about 210,000 homes.

Builders were estimated to have had about 18,000 unsold properties on their hands then, compared with 15,000 at the end of February and only 11,000 a year earlier.

A continuing slump in council housing activity is deepening the house builders' crisis. Starts this year could be down to little more than 50,000 with further reductions due in 1981 and 1982. Starts in 1979 reached just over 80,000.

## Tory Left gives support to Thatcher jobs policy

BY RICHARD EVANS, LOBBY EDITOR

AN EARLY indication was given yesterday that younger Left-wing Conservative MPs are prepared to give their full backing to Mrs. Thatcher after the highest unemployment figures for over 40 years.

Mr. William Waldegrave, Tory MP for Bristol West and a former aide to Mr. Edward Heath, declared last night that the worst thing the Government could do in present circumstances was to change course.

"Again and again in the past, Governments have started to pursue a line of policy, and then lacked the resolution to see it through."

"The worst possible option is to abandon this policy now, when we have had the pain, but not yet seen the benefit. It would make the sacrifice and the grief suffered by those who have already lost jobs pointless," he told Bristol Young Conservatives.

Mr. Waldegrave, a prominent moderate from the 1979 intake, argued that, if the Government continued on course, there was a "fair chance" that present suffering would in the end be the prelude to better times.

In practice, the only prospect of a change of course in economic policy would come if suffi-

cient "wet" Ministers and Tory MPs threatened rebellion. There is absolutely no sign of this happening.

Ministers are equally relieved at the relatively mild response to the unemployment figures from Labour leaders. The Opposition has given the impression of being divided on tactics with some MPs demanding the immediate recall of Parliament, but others acting much more cautiously and awaiting developments at the TUC conference next week.

## Defence axe

The total number of jobs in the Ministry of Defence and the Royal Ordnance factories was reduced by 1,126 last month, according to Ministry figures published yesterday.

More than 1,000 of the cuts came in the Ministry of Defence which is Whitehall's largest Ministry. Nearly two-thirds of the jobs lost—through natural wastage—were in the industrial grades.

The Ministry and Ordnance factories have now lost 4,493 jobs in the past four months leaving a total staff level of 277,000.

## Slim hope of saving jobs of steel men

THE FATE of the British Steel Corporation's Consett plant, due to close next month, is unlikely to be changed today by the first meeting between union leaders and Mr. Ian MacGregor, BSC chairman, since he became chairman, writes Alan Pike.

The future of Consett is at the top of the union officials' agenda for their first meeting with Mr. MacGregor since he became chairman in July. But he appears to have accepted that Consett must close, since BSC is faced by a surplus billet capacity of 1m tonnes. This will mean the loss of 3,700 jobs and losses, the Consett area with one of the worst unemployment rates in the country.

Mr. MacGregor will be anxious to turn union leaders' attention to the future of BSC at a time when the recession is reducing the steel market dramatically. He will urge the unions to consider their own role in improving the economic base of the corporation, which could lead to a discussion of productivity.

Mr. MacGregor will be soon presenting a review of BSC's position, with proposals for restructuring its huge losses, to Sir Keith Joseph, the Industry Secretary. While he will not unveil his plans at today's meeting, he is expected to go into some detail about his overall impressions of BSC since becoming chairman.

Today's talks are a meeting of the TUC steel committee which, as such, will be chaired by Mr. Bob Scholey, BSC's chief executive. Mr. MacGregor will be attending in response to union requests to meet him.

About 280 jobs are to be axed at the Staveley works of the British Steel Corporation's Stanton and Staveley group near Chesterfield, it was announced yesterday.

The redundancies have been blamed on continuing falling demand for products. The works employs 1,800 men and has been on a four-day week since March. Earlier this year, demand for grey spun iron pipe and foundry products dropped resulting in the short-time working. There appears to be no prospect of an early improvement in demand.

It is hoped that voluntary redundancies will largely cover the jobs to be lost.

## Exchequer Stock

The Bank of England announces that, in accordance with the Aircraft and Shipbuilding Industries Act 1977, an issue of about \$61.97m of 10 per cent Exchequer Stock 1983 is being made as compensation due in respect of the unquoted securities of British Aircraft Corporation (Holdings). This follows the announcement on August 21, 1980 by the Department of Industry and the stockholders' representative that compensation had been agreed.

The issue will be made at the rate of £100 Exchequer Stock per \$90 of compensation, and the stock will rank for a full six months' interest on December 12. It will not be distinguished from 10 per cent Exchequer Stock 1983 already in being. Dealings in the stock can take place from today.

## Makers 'must broaden search for funds'

THE enormous investment required to design and build new commercial jet airliners made it imperative for manufacturers to find ways of tapping new sources of capital, said Mr. Sanford N. McDonnell, president and chief executive of the McDonnell Douglas Corporation of St. Louis, U.S., in a paper delivered in London yesterday.

The U.S. aerospace industry was dominated by Government purchases, mainly by the U.S. Department of Defense. On average the military aerospace sector had been about four times larger than the commercial aerospace market.

The two markets frequently did not move in parallel: they were driven by entirely different forces, he said.

The commercial market was "extremely sensitive to economic conditions." A downturn in the economy discouraged commercial flying and airlines stopped ordering new aircraft. The time lag between the onset of a recession and the impact on orders for new aircraft meant that the commercial aircraft market would be extremely well in 1980, based on orders booked in 1978 and 1979.

But Mr. Kraemer warned of an impending slowdown in the next few years, reflecting the current economic downturn and the decline in air travel.

The "Government aerospace" market was not sensitive to economic change and might be counter-cyclical.

The military market was currently accelerating rapidly, reflecting rising tension in the world. In recent years, the total U.S. aerospace market—military and commercial—had varied between \$19bn and \$36bn annually. This was shared largely by the 12 major U.S. aerospace companies, with Boeing, McDonnell Douglas and Lockheed at the top of the list.

By contrast, the U.S. car industry had only four major companies. The "pluralism and diversity" of aerospace in the U.S. was one of the characteristics which resulted in "extremely stiff competition."

This in turn had produced a trend towards concentration of resources.

McDonnell Douglas insisted that it was a myth that exten-

sive cross-fertilisation and feedback still existed between military aerospace and the commercial sector. Technology and design would continue to diverge.

In the commercial sector the U.S. domestic market was in a "state of extreme turbulence," Mr. Kraemer said. The turbulence had three causes.

The politically inspired move to deregulate domestic U.S. airlines with unlimited scope for competition between operators had supporters on both sides. But McDonnell Douglas said the ultimate outcome of deregulation was unclear.

Last year, supporters of deregulation looked back on the most profitable year in the history of U.S. airlines. They hailed deregulation as "instant success."

This year, the airlines faced deficits.

The second source of the disruption was environmental. Stringent noise regulations have been adopted by the U.S. necessitating the replacement or modification of many airliners now in domestic service.

The "explosive rise in the price of fuel and the troubled U.S. economy" was the third cause of the difficulties now facing the commercial airline sector in the U.S. The 30 per cent rise in air fares in the U.S. last year, following a doubling of the price of fuel, had "virtually eliminated growth in air travel in the U.S."

But strong economic growth in many parts of the world gave cause for optimism in the longer term.

Mexico and Brazil were in the midst of a "take-off" that would result in expanding economies for the next 20 years. Expansion in the Middle East would continue. In the Far East, the Pacific basin with its large numbers of people and uncompromising commitment to free enterprise was now producing "the highest rate of economic growth in the world."

The EEC also had "by no means run out of steam." It would probably continue to show a higher rate of growth than the U.S., Mr. Kraemer said. This would all be reflected in continued demand for air travel

and new civil aircraft.

Mr. Kraemer discounted the potential threat from growth in telecommunications technology.

The Douglas Aircraft Company had concluded that by 1994, worldwide air travel would have a "very healthy growth" at an average annual rate of about 6.4 per cent. As a result, demand for civil aircraft in the 1990s would be about 1.7 times greater than in the 1970s.

Military expenditure would also grow steadily.

Changes in U.S. tax laws were called for by Mr. Robert J. Carlson, president of the Pratt and Whitney Aircraft Group, in a speech at the conference.

The changes were needed to help airlines finance the advanced, fuel-efficient aircraft needed to cope with rising fuel prices.

"Such tax changes should be structured to encourage airlines to buy and sell or otherwise exchange equipment with one another," Mr. Carlson said.

An airline acquiring a used aircraft should be able to depreciate it in accordance with actual value. An airline selling equipment should not be burdened with capital gains taxes resulting from inflation over the period of ownership, he said.

But operators would have to reach "new heights of efficiency" in matching aircraft to route networks if the airlines were to survive under the "new air transport economics of the 1990s."

Third World airlines face hard future

THE PROBLEMS faced by Third World nations in civil aviation were outlined to delegates by Mr. Slim Bey Salameh, general manager for international and government affairs of Middle East Airlines. He is also the secretary general of the Arab Air Carriers Organisation, writes Lynton McInnes.

He said Third World airlines were expected to fall behind western airlines as the impact of technological progress rendered the West's airline industry more capital intensive.

Such a trend would be heightened by the increased use of computers and the "spread of electronics."

To match the West, Third World airlines would need more capital for investment and more operations to justify this investment, Mr. Salameh said both may be lacking.

It was likely that some of the wealthier airlines in the Third World could afford such investment. But the investment would be based on this wealth and not on economic success.

These developments would have an adverse impact on the productivity of airlines in the Third World, which in some cases was only about half that of U.S. airlines, he said.

The widening technological gap in the 1980s could possibly reduce Third World airline productivity to only 25 per cent of that on U.S. airlines, he said.

Rising fuel prices would also have a serious impact on the fortunes of Third World airlines in the 1980s. With continued fuel price increases and a continued use of older, less efficient aero-engines, Third World airlines could find that fuel would account for over 70 per cent of their direct operating costs by 1990.

Such increases would be "prohibitive" and would force the airlines to keep crew and maintenance costs down.

The rapid growth of aviation in the West contributed to the rise of deregulation and more competition among airlines. But Mr. Salameh, Bey Salameh said, Third World airlines could not afford "such experiments."

Neither could they bear the effects of such experiments failed.

Deregulation had also resulted in "dumping" by western airlines. Very low fares between London and Hong Kong were already in force. Sectors at intermediate points en route were likely to get even lower fares, through "dumping," he said.

Some airports, such as Sharjah in the Gulf, had been chosen as intermediate points because they did not have national airlines and imposed no restrictions on traffic rights.

This dumping could upset the fare structure of airports in a wide area, of the Arab and Arab world, he said.



## Post Office price rises and delays criticised

BY JASON CRISP

RISE IN POST OFFICE prices and serious deficiencies in both postal and telecommunications services have been strongly criticised by the Post Office Users' National Council.

The council's annual report published yesterday reveals that the number of complaints received against the Post Office increased by nearly 30 per cent to 15,600 for the year ending March 1980, while the number of business users complaining of long delays in obtaining specialised equipment nearly doubled.

But the POUNC report also notes that there are encouraging signs of a determination by Post Office management and staff to improve performance.

Mr. John Morgan, chairman of POUNC, commented: "Delays in providing service of many months, and in some cases up to two years, are inexcusable from a monopoly supplier."

The report tells of business users deprived of essential

specialised equipment who have written "despairingly" to POUNC about Post Office inadequacies.

The council welcomes the Government's plans to relax the monopoly on the attachment of equipment to the telecommunications network, but argues that complete responsibility for the main network must remain with the Post Office.

It also says that the Post Office should not neglect the needs of today's customers while it concentrates on investment in new technologies to meet future needs.

"We called for assurances that the first priority was being given to promote a more healthy service for today's users. It is certainly unacceptable that in some areas, fault repairs should take substantially longer than the two days' standard the Post Office sets itself," says the report.

In reply the Post Office has told POUNC of its major investment programme to make the existing system more reliable.

Complaints about delays in the postal service increased mainly because of the fact that last summer only 78 per cent of the first-class mail was delivered the day after posting.

But the report notes that for the year to March 1979, 88 per cent of first- and second-class mail was delivered on time, against targets of 93 and 96 per cent respectively. In the year to March 1980, it averaged only 83 and 82 per cent respectively.

POUNC has proposed to the Government that it should conduct a regular audit of achievement against agreed service and productivity yardsticks on which it would report annually.

Mr. Morgan said: "We believe this will help foster the concept of a more open approach by the Post Office to its customers and make it more publicly accountable."

## Alexandra Palace fire cost £31m

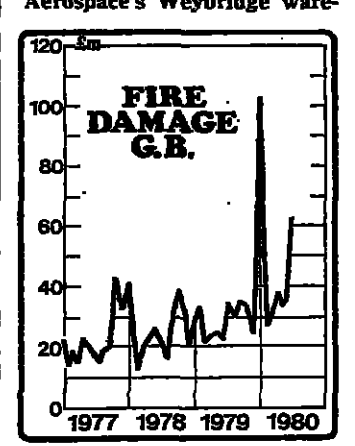
By Eric Short

LAST MONTH'S FIRE at Alexandra Palace in North London cost British insurance companies £31m—the third largest ever fire claim for British insurance according to figures issued yesterday by the British Insurance Association.

This loss accounted for nearly half the total fire damage last month amounting to £63.2m—a figure that has only once been exceeded by January's £103.5m.

Fire damage costs this year so far amount to £33.7m—75 per cent above losses for the first seven months of last year and only £21.6m below the total damage for the whole of 1979.

Only the fire at British Aerospace's Weybridge ware-



house this January, costing £70m, and the Flixborough disaster in June 1974, costing £36m, have exceeded the cost of the Alexandra Palace fire.

The high level of fire damage costs has been boosted by a large number of fires in which damage exceeded £1m.

There were seven such fires in June, including the Alexandra Palace blaze, bringing the total so far this year to 27, which includes the British Aerospace fire. This compares with 42 major fires in 1979.

## Chemical packaging proposals

ANOTHER 121 dangerous chemicals used in industry should be placed on the schedule of substances within the scope of the Packaging and Labelling of Dangerous Substances Regulations 1978, the Health and Safety Commission said yesterday in a consultative document.

The proposals, in the form of draft regulations, would implement an amending European Communities Directive on classification, packaging and labelling of dangerous substances.

Some changes are also proposed to the labelling provisions for certain substances.

## Grassroots rebellion at the Co-op

DAVID CHURCHILL, Consumer Affairs Correspondent, investigates the power struggle at the Co-operative Wholesale Society, the largest food manufacturing and wholesaling organisation in Europe.

THE IMMINENT retirement of Sir Arthur Sugden after six years as chief executive of the Co-operative Wholesale Society has brought into sharp focus the long-running power struggle for control of the largest food manufacturing and wholesaling organisation in Europe.

The CWS, which had a turnover last year of £1.7bn, is the battleground for the sort of internecine rivalry that usually characterises both the TUC and Labour Party. As with these organisations, the struggle within the co-op movement is whether power should reside in the grass roots or with the established hierarchy.

This struggle will be brought to a head at a special general meeting of the CWS in October to decide whether the power of the society's chief executive—which the CWS board itself has described as a "supreme" role—should be lessened by the appointment of a full-time chairman of the board.

At its most basic, the issue is whether the CWS should be controlled by professional management or by the representatives of the grass roots of the co-op movement, supposedly embodied in the society's board of directors. The issue will subsequently be put to a referendum of all the 191 retail societies.

But the conflict at the CWS is more than just another boardroom wrangle of the kind which besets most private and public companies. It has far-reaching ramifications for the 10.8m customer-members of the co-op retail societies. The major question is how the vast resources of the CWS should be used to help the co-op retail movement meet the fierce competition in the High Street.

The retail societies are finding it increasingly difficult to compete with the more aggressive multiple retailers for a share of both the food and non-food markets. The co-op's share of the total retail market, for example, has fallen from 7 per cent in 1977 to 6.7 per cent last year. Many societies are being forced to consider merging to survive, and few are trading profitably at present.

Like the TUC and Labour

Party, the co-op movement is concerned with democratically reflecting the interests of its grass roots members. Thus the owners of the 191 individual retail societies who, in turn, are the owners of the CWS which acts as manufacturer, banker and supplier to the movement.

In practice this democratic structure breaks down in two main ways. First, few members bother to vote or take any active part in their local society. Thus many societies are run by what

full-time board which ran the organisation was unwieldy and that the directors had become out of touch with the retail societies who had elected them. So it was proposed that a new management structure headed by a chief executive should be set up, and that the board should revert to part-time directors.

Such a structure, the internal review concluded, would help end the "division of interests between the retail and wholesale sides of the movement which has embarrassed the CWS ever since it was formed."

The CWS came into existence 116 years ago.

In the 1970s the CWS thus helped establish the national Co-op logo, the introduction of dividend stamps, built up a regional distribution network, and launched a national marketing effort. At the same time it rationalised its production facilities, improved productivity, built up the Co-op Bank into a clearing bank, and generally proved a commercial success.

This achievement was spearheaded first by Mr. Philip Thomas, then—after Mr. Thomas's death in an air crash—by Mr. Alf Wilson, and latterly Sir Arthur Sugden.

But the CWS board now admits that the effect of these changes "was not fully perceived at the time." By 1978, the board points out, "relations between the CWS and some societies had deteriorated and a sense of a lack of responsiveness pervaded."

In plainer language, many societies felt that the CWS management—headed by the chief executive "supreme"—was determining policy within the movement, rather than letting such decisions be taken by the retail societies. It is widely accepted that the part-time board members cannot

control an organisation the size of the CWS as effectively as the full-time management.

The autonomous and fiercely independent retail societies—which have found it increasingly difficult to survive in the High Street—have also been somewhat envious of the proven success of the CWS.

Such an attitude means that many retail societies choose to buy at least a third of their needs from other suppliers, although it would make more sense to get all their supplies from the CWS.

But the prospect of Sir Arthur Sugden's retirement next month has led the retail societies, through their part-time board members, to seize the opportunity to reassert their control over the CWS management.

The board has proposed that a full-time chairman be appointed to bridge the gap between the CWS management and the board. At the same time, the chief executive's powers would be curbed by involving a wider management team.

But it is by no means certain that the retail societies will support the proposal for a full-time chairman, because many will claim that it does not go far enough.

Even if the move goes ahead, it remains doubtful whether it

will have any significant effect on the Co-op's trading problems in the 1980s.

These problems stem from the fact that there are too many retail societies acting without the centralised control that characterises the major High Street multiples. The Co-op's competitors must be rubbing their hands with glee at the attempt to weaken—for whatever motives—the power of the CWS.

'The co-op's competitors must be rubbing their hands with glee at the attempt to weaken the CWS.'

## Thomson cuts tour prices

BY ARTHUR SANDLES

PACKAGE TOUR brand leader Thomson Holidays has thrown down the gauntlet to its competitors by cutting the prices of thousands of holidays, and vastly increasing its capacity for next summer—a season which Thomson itself predicts will see no increase in the total number of Britons travelling abroad.

Considerably expanding services from airports other than its traditional Luton base, Thomson is adding 20 per cent to its 1980 capacity to bring its total number of holidays on offer to 770,000. It is also reducing the prices of many holidays and keeping its average price increase to around 7 per cent.

Thomson acknowledges that the strength of the pound, the

scramble of airlines to sell seats and the failure of the German and Scandinavian markets with a resultant turn to Britain by Mediterranean hoteliers, have all helped the company in its campaign.

Mr. Roger Heape, marketing controller of Thomson Holidays, said the company would be taking a much more aggressive sales stance. "We have got to increase our share of the market," he said.

Thomson has underlined its keen pricing with a guarantee which limits surcharges to a maximum of 10 per cent of the brochure tariff.

The company was slow to develop the business of Britons holidaying in the U.S., and its

ivals Cosmos and Intasun were much quicker off the mark—but now Thomson has increased its U.S. capacity threefold.

Thomson's challenge is unlikely to go unanswered. There is a prospect of a price and capacity war in the package tour business similar to that currently experienced in the airline market. Already, there is talk of some medium-sized companies feeling the strain of selling conditions. Further competition may deepen anxieties.

Examples of the 50,000 holidays on which Thomson is cutting its prices include: Miami, two weeks from £358 to £335; Ibiza, from £259 to £208; and Corfu (from Glasgow) from £237 to £210.

## TV stamp sales drive launched

By Arthur Sandles

THE BBC is to launch a national campaign to promote the sales of television licence savings stamps. The Corporation is eager to show that the licence fee is good value, and to draw attention to ways of spreading the payment burden.

"We hope our publicity drive will speed up introduction of new methods of licence fee payment to overcome the problem of coping with a single annual lump sum," said the BBC.

The Corporation wants to introduce other methods of paying the fee such as payment by credit cards, standing order, instalments and licence gift tokens.

The motive for the campaign is the BBC's concern that the single payment system makes it difficult to raise the fee substantially. The BBC wants £34 for a colour licence increased to £50.

## Yard denies blame for platform delay

BY WILLIAM HALL

LEWIS OFFSHORE, the Stornoway fabrication yard, has denied it was to blame for delays in the conversion of the floating production platform for the Buchan Alpha field in the North Sea.

The project, originally scheduled to take six months, has taken almost two years to complete and the original cost of £6.7m has increased many times over. Neither BP nor Lewis Offshore, which is part of the Norwegian Fred Olsen group, has disclosed the final cost because their lawyers are still disputing the conversion from a semi-submersible drilling rig to a floating production platform.

Lewis Offshore's first major order, the yard budgeted 528,000 man hours for the job and it has taken 34m man hours. At the completion ceremony in Stornoway yesterday, Mr. Michael Thompson, managing director of Fred Olsen Ltd.,

gave the reasons for the delay as "inaccurate drawings and frequent design changes by the clients."

He said that, for example, the job required six times as much steel plate as was originally planned.

Although Lewis Offshore was not keen to worsen the dispute with BP yesterday, senior management insisted that the design changes and other delays were not of their making. Nor were they attributable to the modifications introduced after the Alexander Kelland rig disaster.

The contract for the conversion was won against stiff foreign competition by Aker Offshore Contracting, Fred Olsen's project management company, in conjunction with the Lewis Offshore yard. The contract was let to BP's design contractor, Matthew Hall Engineering.

## Office salaries failing to match inflation

BY MAURICE SAMUELSON

INCREASES IN office salaries are falling behind the rate of inflation, and office staff in public services have received bigger wage rises than those in private employment.

These are the key findings of the 1980 Office Salaries Analysis published today by the Institute of Administrative Management.

The main grades of clerical workers now increase of about 16 or 17 per cent, 2 to 3 per cent below the retail price index on March 1, 1980, says the report, which covers 39,000 staff in 602 different establishments throughout the UK.

At the same time, the survey points out, unlike some earlier periods of strong inflation, average earnings of all employees did not appear to have lagged far behind the Retail Price Index, and at higher grades office staff kept abreast of inflation.

Very large increases were given in the City of London and the West End, probably as a result of increased travel costs

and in reaction to lower rises in the previous year. Union negotiations also resulted in some high settlements in banking and insurance in these areas.

There were fairly wide variations in the increases won by different categories of clerical staff. While younger unqualified staff won an average rise of little more than 10 per cent, older and better qualified personnel secured rises between 16 and 21 per cent.

The Institute believes this reflects the lack of employment opportunities for younger staff and the greater ability of more qualified personnel to hold their jobs or find new employment.

Among the conurbations, Greater London continues to pay the highest rates, but East Anglia, the South-West and the North of England showed the year's highest pay rises. There were also surprisingly high increases in Tyne and Wear.

The advantage of working in

## NATIONAL AND REGIONAL MEDIAN SALARIES FOR TYPISTS AND SECRETARIES 1980

Grade	Trainee typist	Senior typist	Senior secretary	Executive secretary
United Kingdom	2649	3085	3524	4580
Greater London	2965	3402	4088	4447
South East	2744	3249	3783	4181
East Anglia	—	—	3839	3929
South West	—	3145	3295	3854
West Midlands	—	3233	3420	3780
East Midlands	—	3045	3300	3626
Yorkshire and Humberside	—	2876	3225	3550
North West	—	2892	3234	3572
North	—	3538	3858	4167
Scotland	—	2725	3504	3775

Source: Institute of Administrative Management

energy-related companies is shown in the survey's table of office salaries in 11 industries. It is headed by coal and petroleum products, where salaries for middle-rank clerical staff moved to more than 36 per cent above the UK average, followed by food, drink and tobacco (15 per cent above the average) and insurance, banking and finance (10 per cent higher).

Office Salaries Analysis 1980, by Keith L. Scott, 136 pages; £54, published by the Institute of Administrative Management, 305, High Street, Beckenham, Kent, BR3 1BA.

## AKTIESELSKABET KJØBENHAVNS HANDELSBANK (COPENHAGEN HANDELSBANK A/S) COPENHAGEN

Half-Year Report

### EARNINGS SATISFACTORY - DESPITE INCREASINGLY ADVERSE ECONOMIC CONDITIONS

Copenhagen Handelsbank's operating results for the first half of 1980 were satisfactory, even though the harsher business climate with which the corporate sector had to contend obviously affected our operations and, therefore, our pattern of earnings. Our operating profit (before adjustments for changes in the market value of securities, depreciations, provisions and taxes) amounted to D.kr. 250.5 million, against D.kr. 244.9 million in the first half of 1979.

### PROFIT AND LOSS ACCOUNT

	First half of 1980	First half of 1979
(D.kr. million)		
Interest and commission on advances	1,561.3	993.8
Interest on deposits	-983.0	-648.6
Net income on deposit/lending operations	578.3	347.2
Interest and dividends on bonds and shares, etc.	252.8	311.9
Interest on deposits with domestic banks, net	-22.8	-83.2
Interest on deposits with foreign banks, net	47.4	30.7
Interest on subordinate loan capital	-18.1	-17.3
Net interest and commission	677.6	608.3
Other ordinary income	160.4	151.8
Extraordinary income, net	1.7	3.4
Total	839.7	764.5
Salaries and pensions	-394.0	-344.0
Other expenses	-185.2	-175.6
Profit before adjustments for gains/losses on securities, provisions, depreciations, and taxes	260.5	244.9

1) Includes commission on mortgage-loan transactions of D.kr. 11.8m (first half of 1979: D.kr. 20.0m).

These figures do not include an exchange loss on subordinated loan capital (estimated at D.kr. 2.8 million at end-June, as against D.kr. 14.0 million a year earlier) and an exchange gain of D.kr. 17.6 million on the portfolio of foreign securities, compared with a gain of D.kr. 16 million at end-June 1979.

At end-June, we had an unrealised loss on our portfolio of bonds and shares of D.kr. 52 million; at the same time last year, we had a gain of D.kr. 161 million.

However, taking the end-July stock market quotations as our starting point, we see our results improve to the tune of over D.kr. 100 million; and, on the basis of the current interest level, we can reckon on satisfactory gains on the value of our securities portfolio for the year as a whole.

At the present time, the budgets for the year as a whole (before provisions and value adjustments for the securities portfolio) suggest that there will be some improvement on the profits for 1979.

AKTIESELSKABET KJØBENHAVNS HANDELSBANK (COPENHAGEN HANDELSBANK A/S)

## The Hongkong and Shanghai Banking Corporation

(Incorporated in Hong Kong with Limited Liability)

### INTERIM STATEMENT (UNAUDITED) FOR THE HALF-YEAR ENDED 30 JUNE 1980

Six months to 30 June 1979	Six months to 30 June 1979	Six months to 30 June 1980	Six months to 30 June 1980
HK\$485,357,000	£44,003,000	HK\$583,855,000	£50,332,000
(52,628,000)	(4,771,000)	(69,834,000)	(6,020,000)
HK\$432,729,000	£39,232,000	HK\$514,021,000	£44,312,000
118,595,000	26,838,000	—	29,417,000
HK\$551,324,000	£49,984,000	HK\$341,248,000	—
(1,153,000)	(105,000)	209,373,000	131,875,000
(166,300,000)	(15,077,000)	HK\$645,896,000	£55,680,000
HK\$383,871,000	£34,802,000	(256,000)	(22,000)
HK\$0.39	—	(200,556,000)	(17,289,000)
—	—	HK\$445,084,000	£38,369,000
—	—	HK\$0.46	—

THE FOLLOWING CONSOLIDATED BALANCE SHEET DETAILS ARE ALSO GIVEN FOR THE INFORMATION OF SHAREHOLDERS

31 December 1979	30 June 1980 (Unaudited)
HK\$125,292,490,000	HK\$145,970,385,000
HK\$3,709,415,000	HK\$4,927,117,000
£11,431,796,000	£12,583,654,000
£338,450,000	£424,751,000

The Directors announce that the share registers will be closed from 15 September to 27 September inclusive and the interim dividend of HK\$0.18c per share is payable on 9 October. A final dividend of not less than HK\$0.36c per share is forecast making a total distribution of not less than HK\$0.54c per share for 1980.



## UK NEWS—THE NATIONAL INSTITUTE REVIEW

Peter Riddell examines the latest forecasts for output and unemployment

## Job prospects 'now worst since 30s'

THE PROSPECTS for unemployment in the UK are now probably the worst since the 1930s, the Institute suggests in a bleak analysis of the prospects for the domestic economy.

The Institute says that even though output is expected to make a modest recovery next year after a substantial fall this year, unemployment is likely to go on rising throughout both years.

Indications for later years suggest that it will be some time before the peak is reached and longer still before unemployment could be expected to return to anything approaching the levels of the 1950s and 1960s.

"Unemployment on this scale would be serious enough even if it were uniformly distributed but unfortunately it is likely to fall with disproportionate severity on different industries, occupations and regions."

Total output, as measured by real Gross Domestic Product, is expected to fall by 1.3 per cent this year before rising by 0.6 per cent next year.

Adult unemployment in Great Britain is projected to rise from a current level of 1.62m to 1.75m in the fourth quarter of this year and to 2.15m by the end of 1981.

This implies a much higher figure for the UK unadjusted total including school-leavers.

The Institute points out that since unemployment lags behind changes in output it is unlikely that even a change in Government policy or in participation or registration rates could prevent this although the rate of change could be affected.

The latest forecasts are gloomier about the prospects for output, living standards and unemployment than the last quarterly projections in May.

But the Institute has radically changed its view about the current account of the balance

SUMMARY OF FORECASTS (May projections in brackets)						
	Real GDP (% change, year/year)	Real personal disposable income (% change, year/year)	Unemployment (fourth quarter, m)*	Money supply (% change in sterling M3, fiscal years)	Consumer prices (% change, year/year)	Current account balance (year, £bn)
1979	1.8	5.9	1.23	12.5	12.1	-2.3
1980	-1.2 (-1.1)	1.5 (2.1)	1.75 (1.6)	11 (9)	16.7 (17.2)	-0.8 (-2.6)
1981	0.6 (0.6)	-0.3 (1.2)	2.19 (1.96)	8 (8)	15.3 (14.9)	2.0 (-1.3)

\* Great Britain, wholly unemployed, excluding school-leavers. Source: National Institute Review

of payments, which it now expects to move into surplus. The major impact of the Government's deflationary policies is expected to fall on output before it affects prices.

Real personal income is forecast to rise by 1.5 per cent in 1980 but the lagged effect from declining activity means that it is unlikely to rise next year.

Despite the rise in unemployment, average earnings are still expected to rise by about 18 per cent during the 1980-81 wage round.

Consumer prices are expected to rise at an average rate of over 15 per cent next year, compared with an increase of 16.7 per cent on average this year.

The depression of the UK economy relative to that of the rest of the world together with the short-run inverse J-curve effects of the rise in the exchange rate (boosting the sterling value of exports and depressing the sterling value of imports) and the excess of oil and gas production over consumption should lead to a big improvement in the current account.

A deficit of \$828m is projected for this year with a surplus of £2bn in 1981. Sterling is expected to remain unchanged at around its current level.

The brunt of the recession is expected to be borne by the company sector, excluding North Sea operations and financial institutions, with profits in real terms expected to be substantially below their 1975 level, the low point of the last recession.

The last review in May said

National Institute Economic Review, number 93, August 1980, from National Institute of Economic and Social Research, 2 Dean Trench Street, Smith Square, London SW1P 3HE. Annual subscriptions: £25 (home) and £35 (abroad). Single issues for 1980: £7 (home) and £10 (abroad).

the financial pressures on the company sector were becoming intolerable. "Since then the pressures have indeed proved intolerable and employment and output have fallen."

Investment in manufacturing is projected to fall by 10 per cent this year and by 11 per cent in 1981. Destocking of some £1.5bn is also expected by the end of next year.

Consequently, the forecast profits squeeze is slightly eased, with profits in industrial and commercial companies as a whole around their 1974 rather than 1975 level in 1981 in real terms. However, after excluding North Sea oil the forecast is still for profits substantially lower than in 1975.

The May projections was that gross trading profits of industrial and commercial companies (excluding North Sea operations) would be £4.5bn in current prices this year and £2.5bn in 1981. The Institute is now projecting profits of £9.6bn this year and of £10bn next year.

The overall financial deficit of the corporate sector was projected in May to be £10bn this year and £11bn in 1981. The latest forecasts are for deficits of £5bn this year and of £6.5bn in 1981. This compares with £4.77bn in 1979.

The increase in world oil prices, the planned price rises in the nationalised industries (10 per cent more than the rate of cost inflation) and the Government's apparent deter-

mination to hold public sector wage increases below those in the private sector contribute to the forecast decline in public sector borrowing from £9bn in the current financial year to £6.2bn in 1981-82. This is on the assumption of unchanged policies.

The automatic tendency of the budget deficit to rise during a recession is particularly offset by the forecast rapid growth in North Sea oil revenues, which are projected to rise by £4.5bn between 1979-80 and 1981-82.

It has been assumed that the change in sterling M3, the broadly defined money supply, in the current financial year will be at the upper end of the present 7 to 11 per cent target range but will then fall to 8 per cent, the mid point of the 6 to 10 per cent range projected for 1981-82.

Given the reduction in the public sector's demand for finance, the Institute's calculations suggest that, with the demand for bank loans slackening with time in response to the recession, these monetary targets can be satisfied with rather lower sales of Government debt than in the last two years.

Therefore Minimum Lending Rate, currently 16 per cent, could possibly reach 13 per cent by the end of next year.

The projected path of public sector borrowing implies a decline in its percentage share of Gross Domestic Product from 5 per cent in 1979-80 to 4 per cent in the current financial year and to 2.4 per cent in 1981-82.

On a cyclically adjusted basis and using 1972-73 as a base, the public sector financial deficit (slightly smaller than total public borrowing) would be very small in the current financial year and there would be a large surplus in 1980-81. This assumes an underlying cyclically adjusted rate of economic growth of 2.4 per cent a year from 1978-79 onwards.

## Government must act to boost consumer spending

GOVERNMENT spending should be increased or taxes should be reduced if any deceleration in the rise of money earnings is not to make the recession even worse, the National Institute of Economic and Social Research says in its latest quarterly review, published this morning.

The Institute, an independent economic research body, argues a relaxation of fiscal policy against the background of a gloomy analysis of the prospects for output and for unemployment.

"While it may be necessary for pre-tax real wages to fall if rapid progress is to be made in bringing down the rate of inflation, it does not follow that post-tax real wages also have to fall."

"Unless the Government takes the view that even higher levels of unemployment are needed, there seems to be no reason why it should not use fiscal policy to bring about a rise in consumers' expenditure and in output in 1981."

Its argument starts from an analysis of the ways in which

moderation of nominal wages could influence output and employment.

The most immediate likely outcome is a reduction in real demand and a reduction in the level of activity. If the economy is already in recession, it is likely that the recession will be made a little worse.

"However, as a consequence of the (relative) reduction in inflation, changes occur in interest rates, exchange rates, the propensity to consume, and so on which may be favourable to a recovery of output and employment (and incidentally real wages) in the longer run."

"The crucial question for the longer run is whether these recovery influences are strong enough to bring the economy back to an acceptable level of unemployment."

The review says some economists accept this as a matter of faith, but the Institute's model suggests that after an initial worsening there is a recovery of real output, such that in a few years' time the output level might be higher than otherwise. But the forces of recovery are

not so strong as to guarantee a return to acceptable levels of unemployment.

The Institute is doubtful about whether trade unions will appreciate their long-run interests, and moderate wage demands accordingly.

"The trade off thus appears to be between a virtually certain short-run worsening against an improvement in the longer run which is much less certain and whose scale is not guaranteed."

A much lower rate of inflation and consequently a much lower level of annual increases in money incomes would certainly be welcome.

However, it is "scarcely that most wage bargainers will be willing to accept any significant decline in real wages under free collective bargaining."

"Thus on the one hand we would suggest that only changes in the wage bargaining system will allow money wage increases to fall rapidly in the short run and, on the other, that fiscal policy should be used to prevent any such success in controlling inflation from making the recession even worse."

## Fall in industrial output forecast

THE RECESSION is likely to affect output in almost every sector over the next two years, the Institute suggests in a special half yearly analysis of industrial prospects.

Manufacturing output is expected to fall slightly further from current levels in the second half of this year with no recovery in 1981.

This implies average annual falls of 6 per cent and 1.1 per cent. This compares with the Treasury projection at the time of the March Budget of a drop of 4.4 per cent this year.

Total industrial production is expected to follow a similar pattern with falls of 5 and 1.3 per cent over the next two years.

The Institute suggests that the industries that will be most affected will be those, like energy products, steel, shipbuilding and other metal goods, where technical change encouraged by price movements, will reinforce the decline in their users' output and those facing a large fall in consumer demand, like textiles and clothing.

The only industries where growth can be expected are, first, those where output is maintained by Government policy or international demand—mining and quarrying (including North Sea oil production), and aerospace; second, electronics, where the im-

INDUSTRIAL PRODUCTION			
Annual percentage rates of change of output in volume terms			
	1979 (actual)	1980 (forecast)	1981 (forecast)
Food, drink, tobacco	+1.1	+1	+1
Chemicals	+1.7	-5	-2
Metals	+1.2	-26	+1
Engineering	-0.7	-3	-2
Textiles, clothing, footwear	-1.5	-11	-1
Leather	+1.5	-15	-4
Timber, furniture	+2.0	-6	-1
Total manufacturing	+0.3	-6	-1
Mining and quarrying (including North Sea oil)	+26.8	+4	+9
Construction	-2.8	-4	-3
Total industrial production	+2.6	-4	-1

Source: National Institute review

portance of technical innovations may mitigate the recession's effect; and third, food and water.

"Although the general impact of the Government's demand restraining policies blurs distinctions among industries' performance, and it is too early to see results from the limited introduction of selective industrial policies in some areas, some effects of particular Government policies can be observed."

"Trading industries are held back by the high exchange rate from increasing their shares of

the UK and export markets as much as they otherwise could in a period when domestic demand is depressed relative to external demand.

"For some of these, high fuel prices further lower their competitiveness. Construction is affected by low public investment and high interest rates."

"A prolonged period of low output and therefore of low demand for new investment to expand capacity may do lasting damage to the capital goods and construction industries, affecting the prospects for an eventual recovery."

## OECD area growth checked

THE GROWTH of output in the major industrialised countries appears to have been abruptly checked in the second quarter of this year.

Some fall is likely in the second half of 1980 with no very marked recovery before the middle of next year, the Institute suggests in its review of the world economy.

Total output in the 24 countries in the Organisation for Economic Co-operation and Development area is unlikely to be much more than 1 per cent higher this year than in 1979 and growth in 1981 will probably be under 2 per cent.

In the U.S., at least, recovery could begin before the end of this year but in most countries any growth is likely to be moderate until the middle of 1981.

Both consumers' expenditure and non-residential investment are expected to increase a good deal less this year than in 1979 and housing investment is likely to fall, especially in the U.S. Public spending will probably make much the same contribution to the growth of demand as last year.

CURRENT ACCOUNT BALANCES (U.S.\$bn)			
	1979 (estimate)	1980 (forecast)	1981 (forecast)
Total OECD	-39	-91	-95
Other developed	-	-	-3
Oil exporters	+67	+149	+174
Non-oil developing	-32	-66	-89
Centrally planned	+4	+8	+13

Unemployment rates in the OECD area averaged close to 6 per cent in the second quarter after lying between 5 and 5.5 per cent for the previous 2.5 years.

There can be little doubt that further increases are in store. In the last recession the highest corresponding figures appear to have been around 5.5 per cent, reached in the second half of 1975, about two years after output reached its peak and six months beyond its subsequent low point.

Oil prices are forecast to be fairly stable until the end of the year and to increase much less on an annual basis in 1981 than this year.

The rise in consumer prices

for the whole OECD area is expected to be about 13 per cent in 1980, but it may be in single figures next year.

World trade also appears to be responding predictably to the onset of recession. Owing in part to the buoyancy of trade in manufactured goods in the early part of this year, the total rise in the volume of trade is expected to reach 4 per cent in 1980, but it is likely to be rather smaller in 1981.

In both years the oil exporters are forecast to increase their imports very rapidly from the rest of the world. Nevertheless, their surpluses on current account may be \$149bn this year and \$174bn in 1981, compared with \$67bn in 1979.

## Demand for fuels reflects price rises

A CLEAR relationship exists between the shares of various fuels in the overall consumption of energy in the UK and movements in their relative real prices, according to a special article in the latest review.

The author, Jenny Morel of the Institute's staff, notes the distinction between the dramatic increases in the world price of oil and the far smaller, though varying, increases in real prices paid by consumers for other fuels.

She notes that since 1973 the average real prices of oil products and coal have both increased by about 50 per cent and the real price of electricity by about half this amount, whereas that of gas is back to its 1973 level.

This has been reflected in a fall in oil and coal consumption and a rise in demand for gas.

The increase in the annual average real price of all energy has been 35 per cent. Total energy consumption by final consumers, which had been increasing quite steadily, prior to 1973, dropped by 8 per cent between 1973 and 1975 (output also fell in this period) but then began to increase again slightly to exceed the 1973 level with a rise of just under 10 per cent by 1979 (admittedly an exceptionally early year).

## Short-term role of tariff cuts

THE RELATIONS between trade and industrialisation are examined in one of a series of special articles in the latest review.

The authors—R. A. Batchelor of the City University and R. L. Major and A. D. Morgan, both of the Institute's staff—say there is no one conclusion that can be drawn for all countries.

They look especially at the effect of tariff cuts as in the Diion and Kennedy rounds. For the majority of the main industrial countries, these tariff cuts explain most of the increase in import ratios between 1963 and 1971.

The major role attributed to the shorter term effects of tariff cuts—and the fact that they cannot be repeated on a similar scale—are the main grounds given for the view that the growth of world trade in manufactured goods will not merely remain slower than in the pre-recession years but will be lower also in relation to the growth of world manufacturing output.

Another special article—by C. J. F. Brown, now working for British Rail and formerly on the Institute's staff—discusses industrial policy and economic planning in Japan and France.

A further short article describes methods used to check the complex commodity-by-commodity approach to the forecasting of primary product prices.

## Akzo NV

Registered Office at Amhem

## Report for the 1st half year 1980

Consolidated statement of income		2nd quarter		1st half year	
		1980	1979	1980	1979
in Hfl million					
Sales		3,080.2	3,047.8	6,375.0	5,948.8
Operating costs excluding depreciation		(2,828.1)	(2,760.4)	(5,808.3)	(5,380.1)
Depreciation		(120.7)	(123.1)	(244.7)	(243.8)
Operating income		141.4	164.3	322.0	314.9
Interest		(69.9)	(63.5)	(137.9)	(123.3)
Operating income less interest		71.5	100.8	184.1	191.6
Taxes on operating income less interest		(24.3)	(35.2)	(55.5)	(69.0)
Equity in earnings of non-consolidated companies		18.6	5.3	31.7	3.2
Extraordinary items		0.8	(0.2)	0.8	(5.2)
Group income		64.8	70.7	161.1	120.6
of which minority interest		(1.2)	(8.5)	(8.1)	(19.0)
Net income		63.4	62.2	153.0	101.6
Net income per common share of Hfl 20, in guilders		2.14	2.10	5.17	3.43
Common stock		591.9	591.9	591.9	591.9

## Sales and results

Compared with the second quarter of 1979, sales and income for this year's second quarter were satisfactory. Owing to a perceptible downturn in the economy the level of the first quarter of 1980 was not attained, however.

Group sales for the first six months of 1980 were up 7% over the year-earlier period. Selling prices were on average 12% higher while shipments were 3% lower. The transition into guilders of sales of foreign Group companies at lower rates of exchange had a negative effect of 2%. Mainly due to increased earnings of non-consolidated companies, net income in the first six months of 1980 was higher than in the corresponding period of 1979. In the first half of 1980, positive inventory valuation differences have arisen, of which an amount of Hfl 13 million is included in net income.

## Man-made fibers

In the second quarter of 1980, the performance of synthetic textile and carpet fibers was worse, both for Akzo's fiber division and for Enka. Operating income for Enka's industrial fibers remained clearly positive, albeit somewhat lower than in 1979.

## Chemical products and coatings

Operating income for the first six months of 1980 was satisfactory. At the end of this period the influence of a recessionary trend made itself felt for commodity chemicals.

## Pharmaceuticals, consumer products and miscellaneous products

For this group of products, sales and income continued, in general, their stable development.

## Capital expenditures and financing

Expenditures for additions to property, plant and equipment aggregated Hfl 270 million in the first half of 1980 (first half of 1979: Hfl 166 million). In the second quarter, agreement was reached on the financing of the electrolysis capacity expansion in Rotterdam and of the restructuring measures for the Emmen fiber plant.

## Personnel

The number of employees at June 30, 1980, remained practically unchanged from that at December 31, 1979 (83,000).

The Board of Management



The breakdown of sales and operating income by product group is as follows (in Hfl million):

	Sales				Operating income			
	2nd quarter		1st half year		2nd quarter		1st half year	
	1980	1979	1980	1979	1980	1979	1980	1979
man-made fibers	950	981	1,970	1,941	(20)	18	(14)	26
chemical products and coatings	1,243	1,150	2,554	2,281	77	79	181	154
pharmaceuticals, consumer products and miscellaneous products	949	949	1,941	1,808	92	80	171	151
	3,142	3,080	6,465	6,010	149	177	338	331
	(62)	(32)	(90)	(61)	(8)	(13)	(16)	(16)
Intra-Group deliveries non-allocated costs								
total	3,080	3,048	6,375	5,949	141	164	322	315

## Consolidated balance sheet (condensed)

in Hfl million		June 30, 1980		Dec. 31, 1979	
Property, plant and equipment		3,319	3,278		
Investments in non-consolidated companies and other non-current assets		435	441		
Inventories		2,458	2,233		
Short-term receivables and prepaid expenses		2,488	2,277		
Cash and marketable securities		772	805		
Total assets		9,450	9,029		
Akzo NV stockholders' equity		2,476	2,325		
Minority interest in Group equity		411	408		
Group equity		2,887	2,733		
Provisions		1,140	1,147		
Long-term debt		2,639	2,600		
Current liabilities		2,784	2,549		
Total Group equity and liabilities		9,450	9,029		
Stockholders' equity per common share of Hfl 20, in guilders		83.65	78.55		

The positive inventory valuation differences arisen in the first half of 1980 have been uniformly distributed over the whole year, as was done in 1979. Apart from this distribution, the principles of consolidation, valuation and determination of income are the same as used in preparing the 1979 financial statements.

Copies of this report may be obtained from the London Paying Agent: Barclays Bank Limited, Securities Services Department 54, Lombard Street, London EC3P 3AH.

## STET - SOCIETA FINANZIARIA TELEFONICA P.A.

Holding of the Istituto per la Ricostruzione Industriale (I.R.I.) for telecommunications and electronics

Registered Office: TURIN - Via Bertola, 28 - Tel. 5721  
Head Office: ROME - Via Aniene, 31 - Tel. 8389

The Ordinary General Meeting of the STET Group, Holding of the I.R.I. Group (Istituto per la Ricostruzione Industriale) for telecommunications and electronics, was held in Turin on July 25, 1980 under the chairmanship of Dr. Arnaldo Giannini. The report of the Board of Directors and the balance sheet at March 31, 1980 were approved. The Profit and Loss Account closed with a net profit of 4.6 billion lire. The Board of Directors decided to distribute no dividend and thus, after fixing the established quota to the Legal Reserve, to allocate the available 4 billion lire to the "Reinvestment Fund for Southern Italy."





There are no better surroundings for Mercedes-Benz advanced engineering than the sleek, spacious comfort of the SLC coupes and those leaders in sports car luxury, the SL's.

The envy of many and arguably the most handsome cars on the road, the new advanced SLC's and SL's form a technically faultless range.

Although dramatic new developments have taken place under the bonnet, the results have not been extravagant, over-powered cars of little practical value.

Top of the range, the 500 SL has benefited from our boldest engineering developments.

The merest touch of its transistorised ignition arousing a mighty 5.0 litre V8 fuel-injected aluminium alloy engine, developing 240 DIN/hp at 5,000 revs.

New aluminium engines will also be found in the 380 SL and 380 SLC.

This time a 3.8 litre V8 with fuel-injection, developing 218 DIN at 5,500 revs. As you'd expect, the new engines from Mercedes-Benz are not only very

## OUR WIDE NEW RANGE OF ENGINES COMES IN THESE TWO SHAPES AND SIZES.

powerful, they're extremely sensible too.

So, while most other aluminium engines have steel cylinder liners, ours have cylinders lined with hard-wearing silicon crystals.

A refinement extending life expectancy and efficiency.

Another advantage of these lightweight aluminium engines is, of course, significantly improved fuel consumption.

All three models benefit from our rugged new torque converter automatic transmission as standard.

The new 280 SL's and the SLC's both have 2.8 litre six cylinder, in line,

fuel-injection engines with twin overhead camshafts.

As always, increased performance and significant technical advances have not led to any radical modifications in the classic design.

You'll hardly notice the addition of the front spoiler on the SL's and the SLC's.

And, the 500 SL's boot spoiler is anything but ostentatious.

However, once behind the wheel the difference is plain. A degree of sensitive handling that will surprise and enthuse any experienced sports car driver. While the rear spoiler gives noticeably improved

stability at high speeds. Two features that scientifically and systematically provide supremely efficient road holding and greater safety.

Not to be ignored when safety is being reviewed is the rigid steel passenger cell that was perfected and patented by Mercedes-Benz as long ago as the 1950's.

This cell is integrated with crumple zones at the front and rear which decelerate the force of the collision. So as you'd expect, the Mercedes-Benz SL's and SLC's are remarkably safe.

Of course no sports car made by Mercedes-Benz is purely sleek looks and power. Today's SLC's and SL's provide the ultimate combination of high performance, unthought of peace, quiet and luxurious comfort that for decades has been synonymous with the name Mercedes-Benz.



Mercedes-Benz



## MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

## How to spend a penny and more than Save It

3M's British outlay on energy conservation has so far been recouped five-fold. Arnold Kransdorff reports

AFTER SEVEN years of ever-increasing oil prices British industry is at last coming alive to the fact that a radical change is needed in its approach to energy saving programmes.

Until recently managements have tended to embark on programmes that cost little or nothing: they have been reluctant — or perhaps just unimaginative — in effectively accommodating any energy management function within their existing hierarchical structure.

Usually the attempt to cut back on energy bills has been a superficial one. An already-employed manager would be temporarily assigned to energy saving, and, after cursory consideration, he would probably recommend solutions like insulating boilers, turning down thermostats and switching off lights.

He might even go so far as to install spray taps in all washrooms, given that few people use basin plugs (savings could be around £48 per tap per year, according to the Department of Energy) but after a token effort, he would return to his normal duties—until, perhaps, the next price rise.

In general the subject has never been as important as it is now, so responsibility for energy has usually been subsumed within other operational areas; it has also commonly been a lateral management function rather than a vertical one.

One company that claims to have found an effective management formula is 3M UK, the British arm of Minnesota Mining and Manufacturing, a diversified group making adhesive tape (including Scotch tape), abrasive papers and health care products.

The UK company calculates that cumulatively it has saved more than £2.5m through energy conservation since 1975-76 for a capital cost of around £500,000. Without the energy conservation programme its current annual fuel bill would almost double, to about £2.5m, it claims.

In addition the company claims that in the early stages it was able to achieve significant energy conservation at little, or no, capital expenditure. Later measures required capital investment, but often the pay-back period was under two months, while the cost of some

3M UK: ANNUAL ENERGY SAVINGS				
	1977	1978	1979	%
Fuel Oil	34.0	30.1	14.5	%
Electricity	7.8	5.2	10.0	%
Gas	20.0	14.5	45.3	%
Water	19.5	9.7	12.0	%

of the more ambitious schemes will be recouped in about three years.

In fact the energy conservation programme has proved to be successful that 3M has set up an independent consultancy to advise other companies on how to tackle the problem.

3M's energy conservation activities fall within the company's engineering function of plant installation and maintenance; Denis Boatfield, the manager of engineering services, is the person responsible for energy saving.

Aside from the technical aspects of energy conservation, one of his main tasks has been to change the existing management approach to the problem.

Historically, a shift foreman was responsible to a maintenance engineer, he, in turn, reported to the plant engineer, part of whose function was budgeting and forecasting.

Boatfield has two criticisms of this management structure which, he says, is shared with a large number of British companies.

## Factory-wide basis

In the first place budgeting and forecasting for engineering projects is very inefficient given that it is done on a factory-wide basis rather than on a smaller scale, where there should be less margin for error. Secondly, on the operational level, mistakes during one shift are invariably blamed on the previous shift, he says. "So nobody can really be held responsible."

Boatfield's solution is draconian, but simple; he has advocated that responsibility for budgeting and forecasting be pushed down the line to the shift foreman, whose function has thus been extended to include responsibility, along with the production foreman,



Denis Boatfield, 3M's energy supremo, checking machinery in the boilerhouse.

"for the whole production process."

The shift foreman, now called an area foreman, continues to report to a maintenance engineer.

As before he is responsible to the plant engineer, whose role in respect of budgeting and forecasting becomes supervisory. In simple terms this means "putting management in the hands of the shop floor," says Boatfield.

In terms of manpower the change has also meant a reduction in numbers on the payroll. Since the mid-1970s the number of engineers has been cut by almost a fifth to about 130 while those above the rank of foreman have been reduced from 24 to 19.

On a world-wide basis 3M has organised its energy programme by formulating a central committee at head office in St. Paul, Minnesota, and central committees in each foreign country; they, in turn, control sub-committees in each manufacturing location. Both central and sub-committees have complete involvement with all operational sections.

The sub-committees set plant energy targets and programmes,

audit savings and report to the central committee.

As part of his new function the area foreman is required to make forecasts of labour and material required to maintain his operational area for a 12-month period. This necessarily includes predicting, and adhering to, production outputs, a vital element in Boatfield's strategy to ensure that an economic performance is maintained.

In addition the foreman controls all technical labour and materials and manages the planned maintenance programme as well as the production process to get maximum utilisation out of all machinery. Boatfield notes that because the foreman is closer to the work, he is undoubtedly the best qualified to make technical suggestions for getting rid of faults.

"Within a traditional manufacturing environment it is a fact of life that a plant manager must be responsible for all functions within his organisation," says Boatfield.

"If we accept this point, it

follows that the area production foreman in a department as now defined by 3M must have complete responsibility, including engineering. In each engineering project there must be complete production involvement."

Boatfield believes that within the engineering function "it is vital that we avoid engineering for engineering's sake, designs which lack maintenance knowledge and duplication of equipment as far as possible."

He adds: "It is also vitally important that engineers and maintenance groups, when investigating situations which have caused break-down or lack of production, do not blame others, or the equipment, for the break-down. Problems should be accepted, put right, then discussed with the persons concerned. This cools down the situation and when they are aware that it is now their fault, they take responsibility for the situation."

Boatfield explains that following the energy crisis of 1973-74, an edict was given to plant engineers that in their overall function they were responsible for controlling costs.

They were told to absorb the increased prices of energy by finding alternative methods and schemes.

"At this time it was realised that over the years no one had really examined the cost of energy. It was too cheap, and therefore did not particularly influence calculations relative to manufacturing output to the extent that it should have done. One only had to realise the lack of thought in this area to understand that there are very easy ways to improve the situation provided there is determination to examine the situation logically."

Over the years the company has been able to reduce its energy bill in the most unlikely areas. At one end of the scale it cost nothing to reduce the level of lighting during 1977, for an annual saving of £2,000. For an outlay of just under £1,000 there was a saving of about £2,600 by insulating a fuel oil tank.

In 1978 an infra-red survey, which pin-pointed heat loss, led to savings of £8,000 for a cost of £420. By increasing the efficiency of a boiler at an outlay of £1,800, a total of £18,000 was sliced off running costs.

Elsewhere, hot water was recycled, saving £25,000 in 1978 for an outlay of just £250. All these savings are cumulative.

3M's inventiveness has also extended to finding a cheaper alternative for double glazing its older buildings which contain a lot of glass. It has researched and developed a new product called P19 solar control film — a clear, flexible plastic — which, when applied to a single pane of glass, "gives improvement approaching double glazing."

His efforts in energy conservation illustrate that the problem, an accelerating one, can be cut down to size. The cost of energy is now an overwhelming overhead—and therefore deserves more attention than management has, up to now, been prepared to give it.

Installing spray taps is clearly a start. From then on it takes a bit more imagination, as 3M UK has proved.

## Attractive rewards

Boatfield says that one of the most important aspects is that energy cost saving programmes have put the company's engineers in a position of credibility "whereby we can ask for and justify further capital expenditure."

"It is now a reasonably easy matter to encourage management to invest capital, proving quite conclusively that the rewards are attractive."

BUSINESS PROBLEMS  
BY OUR LEGAL STAFF

## Maintenance and repairs

I own a house divided into two self-contained furnished flats both let on a long-term basis. Due to exceptionally severe weather in the winter of 1978-79 the plaster on the front of the house all fell away. I have had it repaired, but the Inland Revenue will not agree for me to count the cost as an allowable expense, claiming that it is maintenance and not repair.

I cannot understand this as in their Tax Return Guide 1980-81 they list maintenance and repairs as allowable, apart from the fact that at least part of the contractor's bill must count as repair. I am enclosing copies of the contractor's bill and the letter from the Inspector of Taxes. Do you think I should appeal?

It is rather a pity you did not say how long ago you bought the house, and how long ago you first let it. If it was first let before April 1975, you may be able to resist the inspector's restriction of the wear-and-tear allowance (by 10 per cent of the rates), by virtue of the Inland Revenue press release of October 13, 1977: "This new basis is being applied to new cases of furnished lettings which become assessable for 1975-76 or a later year for the first time. Normally the Inland Revenue does not seek to change the future basis for existing cases which have been assessed for 1974-75 or earlier years, and if the old basis conforms with earlier practice it is to be allowed to continue on a personal basis." This press release was confirmed on June 19 last year as Statement of Practice A19.

The inspector's statement that maintenance expenditure is not allowable under case VI of schedule D is, as you suspect, nonsense. You should ask him to send you a copy of the free booklet IR27 (Notes on the taxation of income from real property), and draw his attention to paragraph 20.

It is possible that he may counter attack, by seeking to disallow the expenditure under paragraph 69(b) of the booklet. Such an attack could probably be defeated, but we cannot be certain from the bare facts given.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

## Technical News

EDITED BY ARTHUR BENNETT AND ALAN CANE

## METALWORKING

## Press causes less wear on tools

A BRITISH designed and manufactured power press offering the advantages of highly sophisticated and expensive presses at a price all jobbing shops can afford is now available from Cincinnati Milacron.

Derek Rimmer, engineering manager for Cincinnati's UK subsidiary in Birmingham, said the new machine, the AH40, gave the flexibility and cost advantages of the workhorses of the industry—C-frame or open mounted machines—with the performance of double-sided machines costing three or four times as much.

According to Mr. Rimmer, users of small power presses—the kind of jobbing shops which might supply, say, brackets for seat runners to the major car manufacturers, or electrical contacts, were looking increasingly for machines which could use progression tooling—that is, pressing tools in which more than one stage of the pressing operation can be undertaken. Savings in time and labour can be considerable, but for the small shop the capital outlay—£40,000-£50,000—may be too much.

## Finding the best machine

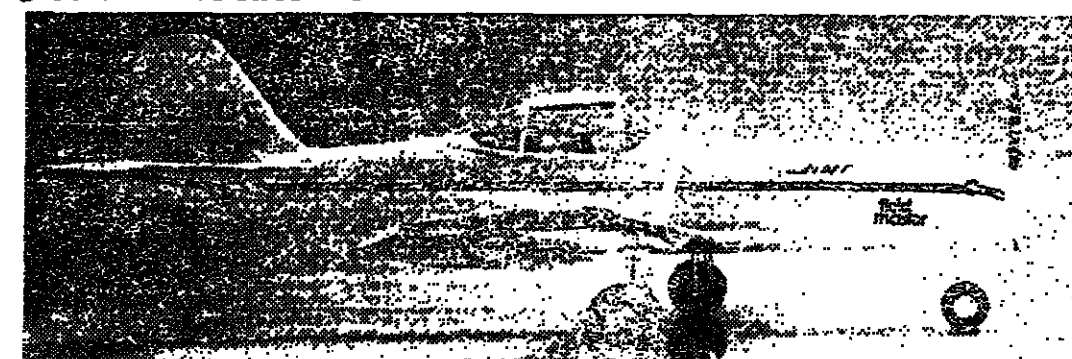
PRODUCTION ENGINEERS faced with the problem of selecting new numerically controlled machines and supporting services could benefit from a new service set up by the Machine Tool Industry Research Association.

With support from the Department of Industry, MTIRA has established a data centre holding up-to-date information about virtually all the NC machine tools, control systems, programming aids and retrofitting devices available on the UK market.

The association has devised a classification system to permit rapid retrieval of information about equipment which conforms to a given set of user requirements—that could mean the type of machine required, the work piece capacity or the cost.

Preliminary studies made before setting up the data centre indicated that most companies choosing NC machines select from the range they know best while ignoring machines that may be better suited to their purpose.

## AERIAL SPRAYING



Model of the Fieldmaster agricultural aircraft now under development.

## Hopper forms part of airframe

A TITANIUM hopper designed and built as an integral part of the airframe and a 750 shp turbopropeller engine are salient features of the Fieldmaster, agricultural aircraft now being developed by NDN Aircraft, Goodwood Aerodrome, Chichester, West Sussex (0243 784337).

The Fieldmaster programme is being financed jointly by NDN and the National Research Development Corporation (NRDC), which is contributing rather less than half the development costs of £500,000.

Most agricultural aircraft are derived from standard production machines, and have a hopper installed in a bay within

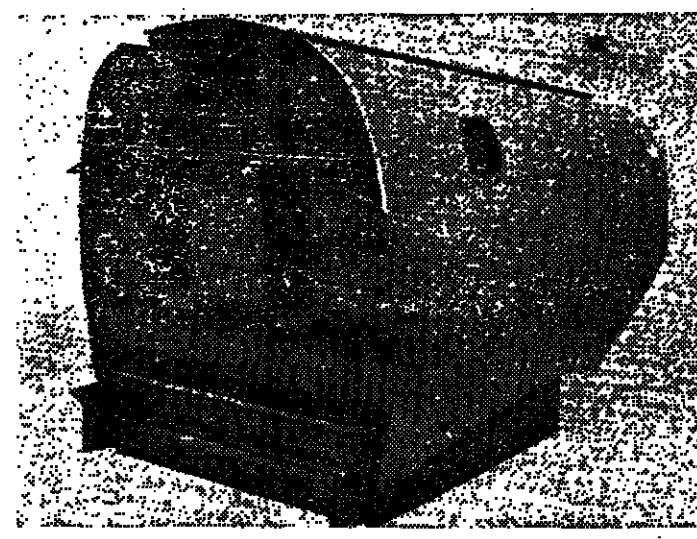
the fuselage structure. The Fieldmaster design, however, represents an original approach. The hopper, which must be at the centre of gravity of the aircraft, has therefore been made a structural component and its outside face will be a part of the fuselage. This concept will produce an aircraft of reduced size and weight for a given payload, NDN claims.

Although titanium costs about 10 times as much as stainless steel for a given weight, it has exceptional resistance to corrosion and fatigue besides being light and strong. It is therefore eminently suitable for carrying fertilisers, herbicides, pesti-

cides, insecticides, seeds or anti-pollutant chemicals.

Since the operating costs of agricultural aviation now exceed the initial capital equipment costs, favourable economic performance requires larger, faster and more efficient aircraft. The Fieldmaster is designed for a hopper capacity of 4,500 lb, a high application speed of 100 knots, a ferrying speed of 150 knots, and a rapid rate of climb.

Its special features include auxiliary aerofoil flaps fitted



Titanium hopper which forms integral part of the airframe.

across the entire 50 ft span of the wing. These flaps will house the spray dispersal system and, it is claimed, ensure that the air "downwash" from the flaps will carry the droplets right into the crop.

The Pratt and Whitney turbopropeller engine, mounted directly on to the front of the titanium hopper, can use

kerosene or tractor diesel fuel. It will drive a 106-in diameter reversing and feathering Hartzel propeller.

The prototype titanium hopper and the engine assembly of the Fieldmaster can be seen on the NRDC/NDN Stand No. S136 at the Farnborough International Exhibition from August 31 to September 7.

## PROCESSING

## Etching microchips accurately

PLASMA ETCHING is one of the newest of the micro-electronic chip manufacturing processes and manufacturers are already seeking refinements in machine design.

Latest is the Model 700 from Tegal, an American company with a significant proportion of the market for plasma etchers in the U.S. The machine is marketed in this country by Microsystem Services of High Wycombe, which already reports interest from chip manufacturers in this country such as Motorola, Ferranti, GEC Semiconductor, General Instruments and, perhaps most interestingly, the Ministry of Defence.

In the etching process, selected areas of the silicon surface of the chip are etched away using suitable chemicals. The earliest processes used etching solutions in the same way that unwanted copper from a printed circuit board is dissolved away using a weak acid. This technique led to less-than-perfect definition and to undercutting of the silicon edge.

Plasma etching involves using the etchant in the ionized gaseous state. Individual wafers—slices of silicon etched with the circuits for memories or processors—are held in the plasma and radio frequency current applied. The resulting etched wafers are of much greater quality than wet-etched wafers.

The Model 700 used a system

to detect the end of the etching process based on the emission of carbon monoxide from the reaction chamber.

The machines cost £28,565 in the UK and Microsystem Services on 0494 41661 will provide full details.

## SAFETY

## Trip wire adds safety

A TRIP-WIRE system to stop lathes and other machine tools quickly in an emergency has been developed by J. & T. Electrical Controls, Pepper Road, Leeds (0532 716108).

The system is claimed to be fail-safe and to be suitable for use alone or in conjunction with the company's JetBrake emergency brakes.

A plastic-covered steel cable runs along the front of the machine tool and is connected to a trip-switch at one end and a fixed point at the other. Where more than about 10 feet of cable is required for large machines it is recommended that a trip-switch be fitted at each end.

The contacts on the trip-switches are arranged so that the power circuit is interrupted when the cable is pulled in any direction. It is also interrupted if the cable goes slack or is broken.

## TRANSPORT

## Dual-mode trolleybus

THE prototype of a double-deck trolleybus for Sigma Power Corporation (a subsidiary of Anglo-American Corporation of South Africa) is now nearing completion at the Telford, Shropshire, works of Quest 80.

The trolleybus is due to enter service with the Johannesburg Municipality later this year. It will be able to operate using an overhead supply system or operate independently at service speed for an indefinite period making use of an on-board diesel electric generating pack.

This "dual mode" design overcomes many of the drawbacks encountered with earlier trolleybus operation, says Quest 80, in that the vehicles can continue to operate during power failures and can operate suburban or lightly loaded routes without the heavy capital expenditure involved in the construction of overhead supply lines and power distribution.

British Brown Boveri and Brush Electrical Machines (a Hawker Siddeley subsidiary) have been working with Quest on development of the electric traction and control equipment.

In addition to the present project Quest is engaged in initial design work on a 17 or 20 metre long, 200-passenger, articulated trolleybus which will be "dual mode" and have provision for automatic steering, braking and power control for operating in reserved carriage ways to enable it to equal the speed and frequency of a tram.

Details of the projects can be obtained from the company at its headquarters at 17, Hollow Street, Great Somerset, Chippenham, Wiltshire SN15 5JB. (0249 720 346.)

## PACKAGING

## Improves look of labels

THE supplier of the labels referred to under this heading on August 22 is P. P. Parnis, Haydon Road, Nottingham (NG6 6DT) and not J. L. T. Smith of Walsall as then stated.

كتاب المجلد



## Unions fail to agree on nuclear weapons policy

BY CHRISTIAN TYLER, LABOUR EDITOR

A POLICY battle inside the TUC over nuclear disarmament, which could have important consequences for the Labour Party Conference debate in October, was being fought out on Brighton yesterday, ahead of next week's annual Congress.

An attempt to get the unions to agree on a common line for the debate next week seemed to be failing last night. The focus of the struggle is the transport workers' union, which has put down a motion strongly implying that Britain should unilaterally renounce the nuclear deterrent.

Its chief opponent, the engineering section of the Amalgamated Union of Engineering Workers, is determined to keep the TUC to its present policy of supporting mutual disarmament only.

At one stage during a meeting of the TUC General Council yesterday, it appeared that both sides were ready to try to agree a draft composite motion on the issue which would fudge the difference between them. But neither could agree on the interpretation that would be put on such a motion.

by Mr. Tom Jackson, the TUC spokesman on international affairs, when he opens the debate on Thursday.

The argument was intensified by Mr. Terry Duffy, president of the engineers, who yesterday published a statement strongly supporting Britain's Nato commitments. If the Labour Party supported neutrality, he said, it would nouse the confidence of

millions of workers "and it would deserve to do so."

His statement said: "Dictatorships only respect others, when they speak from a position of armed strength." It went on to accuse the Soviet Union of repression, and said that it gave up nuclear weapons and the Nato alliance might save the conscience of the pacifist minority and encourage fellow-travellers, but it would also encourage the Soviet Union in new military adventures. Britain would be "at the mercy of Russia's good intentions."

Meanwhile, controversy about the TUC's forthcoming visit to Poland was revived. The Civil and Public Services Association, currently under right-wing control, has put down an emergency motion saying that the visit should be called off. The General Council will discuss the motion today, but in the light of previous statements will probably seek to have it withdrawn. Two other emergency motions on Poland merely seek to put Congress's moral support behind the Polish strikers.

Electricians—whose general secretary, Mr. Frank Chapple, has strongly criticised the proposed visit, is not seeking to stop the delegation. Its motion asks the Congress to support the recent message of encouragement from the International Metal Workers' Federation to the Polish strikers.

But the union is being asked to withdraw a motion supporting the Charter 77 dissidents in

Czechoslovakia, on the grounds that the matter is already in hand and that the TUC should be concerned specifically with trade union right rather than human rights in general.

Mr. Chapple said of the Polish visit yesterday that people might be foolish enough to believe that they could go to Poland and learn something. It was, he said, a sort of a holiday for the TUC visitors, "if you think it's a holiday to see Polish workers having their heads cracked open."

The 112th Congress of the TUC may be free of controversy on other major issues, because most of the delegates' energy will be devoted to lambasting the Government for its social, economic, and industrial relations programme. But there could be some sharp exchanges on a composite motion from two right-wing unions in favour of incomes planning with a Labour Government. If the motion were successful, it would certainly encourage Mr. James Callaghan, the Leader of the Opposition, who addresses the conference on Tuesday, to renew his efforts to work out a deal with the unions on pay and prices before the next election.

## Insulation contractors ready for talks on national agreement

BY JOHN LLOYD, LABOUR CORRESPONDENT

CONTRACTORS and unions who carry out insulation work on large construction sites have agreed to take part in talks on a new national agreement aimed at improving labour relations and productivity.

The agreement to talk is a break-through for the construction industry, which has been plagued by differing wage and bonus rates, among which those set by the insulation contractors have been the most troublesome.

The long-running inter-union dispute at the Isle of Grain, which has been referred to the TUC's General Council meeting next month, has at its core the high bonus rates paid to thermal insulation engineers, or

lagers.

The commitment to take part in the talks was made in a letter from the national joint council representing both sides of the insulation industry to the chairman of the provisional negotiating committee which is conducting the talks on a national site agreement.

Mr. Charles Allen, director of the Thermal Insulation Contractors Association, said that the agreement to talk "had no strings attached."

However, the two unions involved—the Transport and General Workers Union and the General and Municipal Workers Union, which represent lagers in Scotland and England respectively—have still to be

convinced of the benefit of the national agreement to their members.

The talks on the national site agreement itself, which are largely between the Engineering Employers Federation and the craft unions, are said by both sides to be going well. It is expected that an agreement can be reached by the end of the month.

Discussions on the common hourly rate are taking as their basis the rates agreed by electricians in separate negotiations early this year.

The rate agreed for a time-serving electrician was £2.70, though union negotiators have said that they could rise as high as £3.50.

## Bank staff accept 17% pay rise

BY NICK GARNETT, LABOUR STAFF

NEGOTIATORS for the staff association at the Bank of England have reluctantly accepted a 17 per cent pay increase. Several per cent below the overall settlement for staff in the English clearing banks.

The management, in negotiations with the Bank of England Staff Organisation, refused to move beyond its 17 per cent offer. It says that this falls within the Government's 14 per cent cash limit for the last pay round, because of staff reductions over and above those achieved as a result of exchange control relaxations.

The Banking, Insurance and Finance Union and the component parts of the new Clearing Bank Union which operates in three of the five clearers secured a settlement in April after fairly difficult negotiations, which in total will probably mean a rise of more than 25 per cent on the banks' wage bills.

This includes the effects of an arbitration award for managers, increases in London weighting and improvements in holidays and overtime still to be agreed.

The overall settlement in the clearers, however, included rises for the basic clerical grades only slightly higher than the 17

per cent Bank of England settlement, which operates from July. The 17 per cent individual salary increases do not include improvements made to the London weighting allowances.

The Bank of England Staff Organisation had begun moves to take the pay issue through the Advisory, Conciliation and Arbitration Service's conciliation machinery.

Mr. Ian Patridge, the staff association's general secretary, said yesterday that this course had been abandoned because the staff association did not believe that it held out the possibility of improvements in the offer.

This belief had arisen because of the size of recent public sector pay settlements, such as those for school and university teachers and industrial civil servants.

The Bank of England settlement affects about 4,000 staff. Special pay allowances offered to clearing bank staff in the Channel Islands were accepted yesterday by the Clearing Bank Union.

The offer, still to be accepted by the Banking, Insurance and Finance Union, involves an allowance worth 11 per cent of salary in Guernsey and 9 per cent of salaries paid in Jersey.

## Work stops at Lithgow yard

BY OUR LABOUR STAFF

ABOUT HALF of the 3,000-strong workforce at the Scott Lithgow's Kingston Glen shipbuilding yard walked out yesterday, halting work on a £60m emergency support vessel commissioned by BP.

The dispute, which the company said involves mainly

boilermakers and plumbers, is over special allowances for work on difficult or dangerous sections of the vessel.

Shop stewards at Kingston Glen had recommended an overtime ban when negotiations with the management broke down earlier in the week. Instead, workers voted to "black" sections of the ship. When these sanctions

were applied, a confrontation developed leading to a walk-out.

Mr. Cameron Parker, Scott Lithgow's chairman, said that he believed the dispute would be settled shortly. Scott Lithgow, part of British Shipbuilders, is the largest shipbuilder in Scotland, with a total workforce of around 6,000.

## Communists call for defiance of law

BY OUR LABOUR STAFF

THE COMMUNIST Party will today urge the TUC-affiliated unions, whose leaders are gathering in Brighton for this year's congress, to defy the Government's new Employment Act.

The party says that the lack of trade union success in resisting plant and other closures over the past year and the failure to turn trade union opposition to the Government's labour law proposals into mass campaigning "demands the clearest rejection of the law and mobilisation at workplace and national levels against its use."

An article by Mr. Mick Costella, the Communists' national industrial organiser, published today in the party's fortnightly journal, states that trade unions are unanimous in their opposition to the law. The question to be decided by the congress will be the TUC's contribution to the fight against it.

The prospect of a major public division between unions over the question whether to comply with the Act has been removed now that an amendment threatening expulsion from the TUC for acceptance of the law has fallen, but there are still sharp differences of opinion over the response to the Act.

The miners are among those advocating industrial action, if necessary, against the Act. But the engineering workers, for instance, have already declared their acceptance of the provisions of the law and their readiness to take up the Government's offer of public funding for union ballots.

The Communist Party gives support, unsurprisingly, to the miners' stance. It is critical of the moderate engineers and electricians' unions, accusing them of being "the Tories' Trojan horse" over accepting money for ballots.

The price of gaining the 30 pieces of silver "offered by Mr. James Prior, Employment Secretary, "is abandonment of all-out opposition to the anti-union Act itself," it asserts.

The article also criticises the TUC for failing to bring forward for debate at next week's congress the issues of racism and Northern Ireland.

It welcomes the likely replacement of Mr. Joe Gormley, the miners' president, by Mr. Arthur Scargill, the left-wing Yorkshire miners' president, as one of the National Union of Mineworkers' two members on the TUC general council.

## Town hall staffs oppose planning control changes

BY PAULINE CLARK, LABOUR STAFF

LOCAL government union leaders have condemned as "fundamentally ill-conceived" new government plans for changing some of the controls on planning and development for building work.

The National and Local Government Officers Association, which warns that the changes could lead quickly to a deterioration in the environment, has also called for an extension to the period of less than two weeks which, it says, it has been given to study the plans.

In a letter to Mr. Michael Heseltine, Secretary for the Environment, the union describes the Government's Draft Circular on Development Control — Policy and Practice, due — as "a clear attempt to weaken the system of planning and development control which has made such a valuable contribution to the physical environment in which we live."

Mr. Geoffrey Drain, general secretary of the union, also joins the local authority associations in rejecting criticisms of present planning and development control.

"Quite naturally, private developers and other commercial interests would like a reduction in the constraints on their activities," he says. "But the self-interested pleadings of entrepreneurs cannot be regarded as objective views as to what is best for the community as a whole."

Mr. Drain warns that a reduction in the present controls could lead to a free-for-all which could "quite quickly bring about environmental deterioration, and have ramifications for generations ahead."

He rejects suggestions that local authorities are inefficient and dilatory in planning matters, and that a large quantity of economic activity is locked up in the processing of planning applications.

## Nalgo to vote on taking claim to arbitration

BY OUR LABOUR STAFF

REPRESENTATIVES of 500,000 local government workers will decide today whether to go to arbitration on their 20 per cent pay claim or to take industrial action.

The decision will be taken at a special delegate conference in London of about 1,000 members of the National and Local Government Officers Association.

Calls for industrial action in the face of a 13 per cent pay offer by local authority employers are contained in five motions—from Oxford County, Knowsley, Leeds, Newcastle and Glasgow.

Strong support is expected, however, for the recommenda-

tion by the union's local government committee to go to arbitration—a method of solving the differences between the two sides that the employers have indicated they are prepared to accept.

The committee's motion describes the employers' 13 per cent offer as totally unacceptable and argues that it will "seriously erode the pay relations and living standards of members and is an attempt to claw back gains from a comparability exercise."

Four union branches will urge acceptance of arbitration but call for interim pay increases ranging from 10 to 13 per cent.

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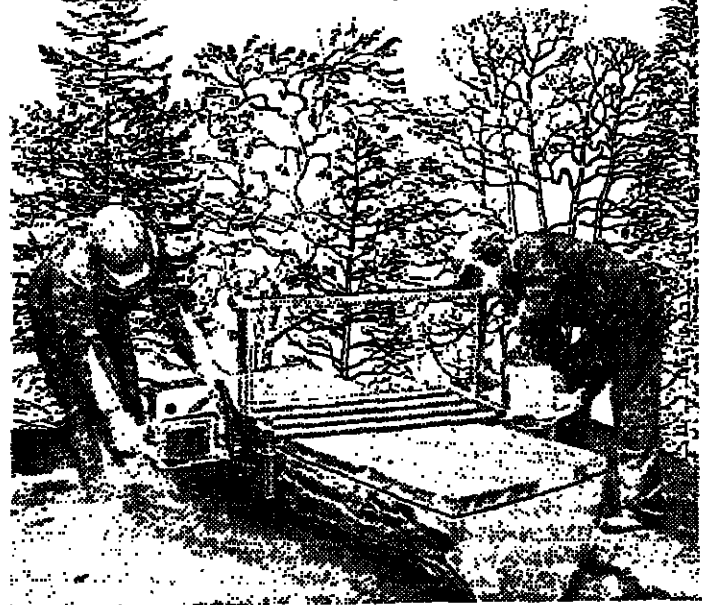
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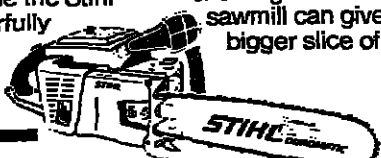
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# FINANCIAL TIMES SURVEY

Friday August 29 1980

## Estate Management and Forestry

Times are growing harder for the British farmer. Costs are rising ahead of profits and returns from forestry are lower than from pastoral farming. After a period of rapid rises, however, land prices are levelling off and institutions are again looking at the market.

### Farmers face a bleak future

By John Cherrington

Agriculture Correspondent

FOR THOSE involved in the business of farming and forestry the future looks difficult, even bleak. Prices for all food products are now more or less equal throughout the Community except for West Germany and there is no more opportunity for devaluing the Green Pound to raise prices further.

At the same time costs are still accelerating. This year they are expected to rise by 20 per cent towards which the Community Review has re-couped at most 4 per cent and for milk and the equivalent of a theoretical 2 per cent.

This is a constant burden of

complaint by the National Farmers' Union, one that it has been making for some time. But although there may have been some element of crying wolf in earlier years, this is the reality now. The facts of this economic landscape had been concealed by the transitional arrangements for joining the EEC over the years from 1973-78. During this time the prices of farm products were gradually readjusted upwards to EEC levels and costs in general did not follow so swiftly.

This did allow for considerable profitability, particularly in the arable sector which enjoyed a comparative boom. The profits made then led to a substantial rise in land values, in investment in machines and buildings, in the delusion that this state of affairs would go on for ever.

Politicians also encouraged the belief that British farmers were as efficient as any in the world and certainly a good deal better than those in the rest of the Member States where farms were so much smaller. The notion got abroad that as soon as there was free trade in food, this competitive advantage would give British farmers a secure ascendancy over all others.

Because this factor is an essential element in any management study it should be

spelled out more fully. In broad terms the technical abilities of British farming, yields per cow, per acre and so on are roughly similar to those in equivalent areas in Europe. Where there are differences, such as the increased yield of sugar beet in Europe, or of grass in the West of England, these differences are of soil and climate, and not of farming skills.

In fact the proportion of good arable land is probably less in Britain than elsewhere in Europe, and even the grassland areas are no better advantaged than say Western France. Only in farm size is there a marked difference. British policy diverged from that of the rest of Europe in the 18th century with the Enclosure Acts, which wiped out the smallholders and peasants and which encouraged the provision of bigger units.

This in an industrial context would be the very basis of common sense. But in farming terms it could in the end be disastrous.

#### Survival

The bulk of British production comes from an average farm employing up to four men including the farmer. The average European farmer employs only his family, which means that in a cost cutting fight for survival the European

farmer will probably win. Studies made in Ireland, France and Holland have shown that in dairying, farmers in those countries have a very decided cost advantage over those in Britain. These may be negative advantages in that they reflect a low input, almost subsistence type, of farming, but they are very real, particularly in the livestock section.

I believe that the impact of this competition will be felt first of all in the livestock sector, particularly in pigs, poultry and dairying, and may in the end come to affect the arable sector as well. It is a challenge which is particularly hard to counter with the more sophisticated aids to management which are available nowadays.

The plain fact is that the determinant of farming survival in a difficult time is the ability of the farmer to endure a considerable degree of hard graft and hard living, either because he wants to go on farming whatever happens, or because he has no other road to follow.



In the field: an FMC livestock officer (left) discusses with a Midlands farmer the marketing of his beef. Below: Velcourt, the partnership farmer, uses a helicopter to inspect crops. Five hundred acres can be covered in 20 minutes



## Funds look again at land market

THE FUND managers appear to be eyeing the farmland market again after a year in which they mostly stood back and, in the words of one of them, "waited for it to cool down."

It now seems to have done so. The latest figures from the Ministry of Agriculture for vacant land prices in the three months to June show prices achieved of £4,377 per hectare.

In terms of the Ministry's land index, in which 1973 is 100, the June level was 227, a mere seven points higher than a year earlier. The Ministry's accompanying note says that "there has been no clear trend in the 12 months."

In fact the market seems to have been testing a peak. In the May/July quarter last year

prices reached their 12 month peak of £4,344 only to fall to around £4,000 by the late autumn. So the early summer figures for this year show only a return to the previous plateau.

More recent sales have confirmed the Ministry's figures. Strutt and Parker in August reported the sale of 10,000 acres in Norfolk to the ubiquitous "anonymous pension fund." The vendor was a subsidiary of Robeco, the Dutch institution, and the price was around £1,800 an acre.

These prices are certainly less heady than they have been for a few years which might tempt institutions back with some consistency into a market of which they have become rather chary. Owning farmland, from an

institutional point of view, has two main disadvantages: it demands a lot of management time and the negligible initial returns entail considerable reliance on future growth projections.

In the past decade, farmland rentals have repaid the hopes invested in them. The last two review periods in particular (covering six years) have each produced significant growth. Initial yields of 2 and 3 per cent have been handsomely increased.

But it does not take a specialist to see that such increases cannot be permanently relied upon. They were a function of the early days of "harmonisation" with the EEC as farm prices were brought up to the level of European counterparts. Farmers' profits rose in line and the landlord benefited in his turn.

Now that "harmonisation" has been largely achieved and injections of funds into the community's agricultural sector are not just less needed but politically unwelcome in some quarters, the bonanza is over.

#### Unspectacular

From now on, therefore, the institutions know that they can expect unspectacular rent reviews and a capital appreciation curve which will flatten out somewhat as a result.

It is noticeable that the funds have not been tempted into putting more than 5 per cent, on average, into agricultural land—a sign that the managers are not always led to excesses by the latest fad.

More significantly for the future health of their funds, they have also steered pretty well clear of in-hand farming despite heavy blandishment over the years.

Since the early 1970s, fund managers have been exhorted to improve their returns on agricultural land by combining the landlord's rent with the profits of a farming partnership usually topped up by the financier's interest on loans for capital investment in the farm.

A few institutions have entered partnerships with working farmers or have appointed their own managers. Most claim that the experience is more by way of a valuable experiment which teaches them the problems of their tenants on the main portfolio.

A few more have lent farming tenants working capital on commercial terms but none, so far, has developed this business further than spasmodically.

Where the institutions have baulked is at full scale corporate farming. Throughout the past decade they have argued that they lacked the expertise to enter the farming business on a professional commercial basis.

The recent sad news of the break up of Fountain Farming, the Stewart Wrightson subsidiary, established to persuade institutions that corporate

farming had a future, has only proved the institutions' fears well founded.

In 1977, Fountain Farming had to sell its land to the Electricity Council pension funds. The cost of carrying the interest on the money borrowed to buy 25,000 acres purchased during the early 1970s was said to be destroying an otherwise healthy business—Fountain Farming's tenant farming operation.

The electricity funds were persuaded that Fountain Farming was a good investment, profits from which would top up the return from rents paid by Fountain as tenant on the funds' land. So the pension funds took a 25 per cent stake in Fountain.

For the past year, Fountain has been trying to sell its entire business, which has tenancies on 14,000 acres (operations on another 10,000 acres in Wales and Scotland had previously been closed and the tenancies relinquished). No buyer was forthcoming for the operation as a whole and in August Stewart Wrightson had to buy back the electricity funds' stake and sell off tenancies piecemeal—some to its own executives, some to landlords.

Stewart Wrightson, however, is still involved in institutional land ownership through its management of 160,000 acres of forest land, mainly in Scotland. Fountain Forestry is said to be making profits of about £200,000 and a return on capital employed of over 20 per cent.

Forestry is becoming increasingly popular with institutions but not, unfortunately, in this country. Growing cycles are too long in Scotland even for the 40-year pension funds and the recent spate of closures of pulp and paper mills servicing the Scottish Highlands has blighted the market further.

Christine Moir

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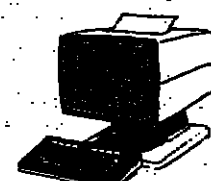
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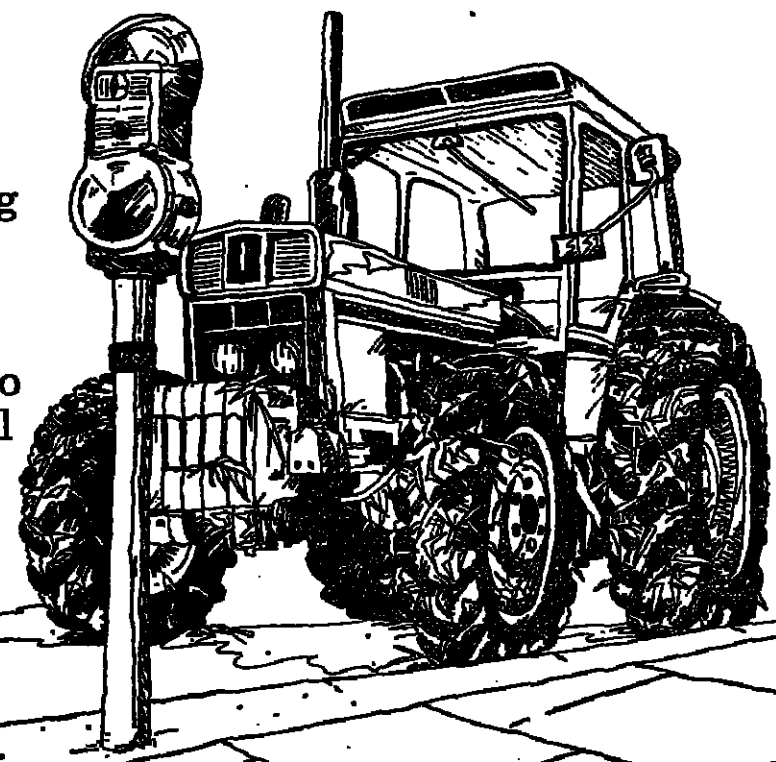
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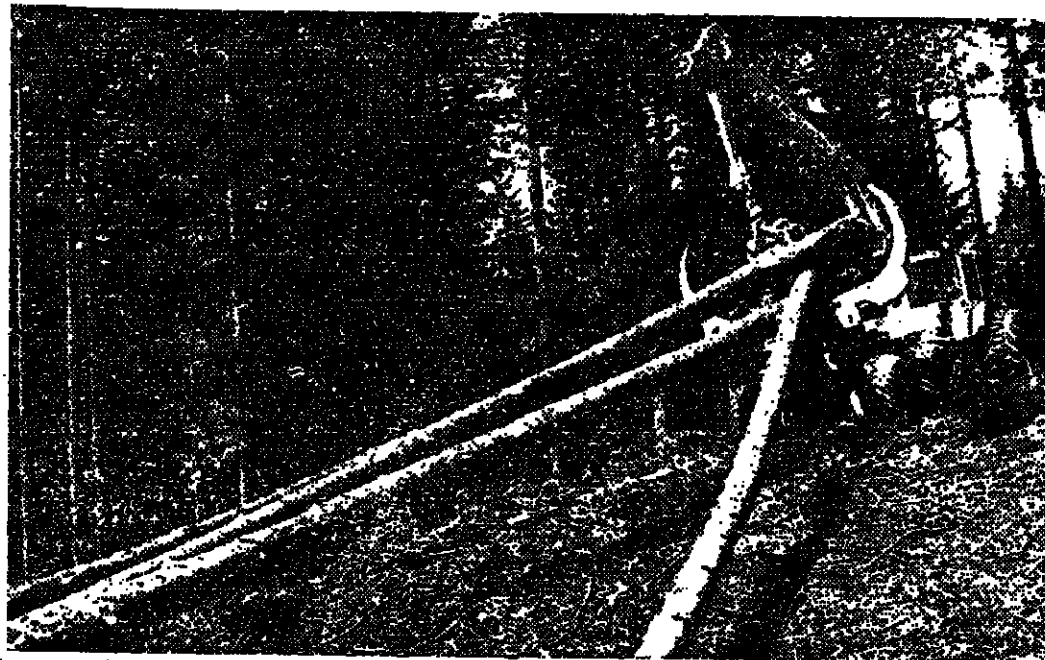
## ESTATE MANAGEMENT AND FORESTRY II

## Timber growers face a buyers' market

BRITISH FORESTRY was never taken seriously until the First World War produced such a scarcity of timber, previously imported, that the Forestry Commission was started to make sure that such a thing never happened again.

The previous time Britain had suffered a shortage of timber was in the late 18th century when Napoleon was keeping us out of the Continent. The British Government of the day colonised the Australian mainland, together with Norfolk Island, to make sure of the Norfolk pines with which to make ships.

The Forestry Commission over the last 60 years has planted some 2.1m acres of trees, largely pines, and the private sector, particularly since the last war, has contributed roughly the same. Private sector planting, though, has largely been a consequence of high taxation which attracted investment by rich individuals who would otherwise be forced to pay the major portion of



A mechanical grab moves felled trees in the Solway Forest, Dumfries

their income invested in trees to the tax man.

Neither the Forestry Commission nor the private investors have had the incentive of a viable market for their timber for the simple reason that it did not exist. The British market is dominated by imports, and these seem to be increasing their hold on the market, both for timber in the round and for finished and semi-finished products. Some of this is a reflection of quality: some northern countries can grow better trees than can most of the British Isles.

But this again should be qualified. It is a truism that the best trees grow on the best land. But in Britain the returns from land devoted to farming have always been better than

from that under forest. So when it came to securing land for planting, the Forestry Commission and private foresters had to compete against farming interests which could outbid them for all but the worst of land in some of the most inaccessible places.

Even today it is possible to make a case for almost any form of pastoral farming which would show a better return than forestry, given the same investment in inputs.

## Under pressure

It now looks as though the market for indigenous timber is under pressure. Part of the huge pulp mill at Forth William is to close. This was built particularly to absorb the product of the Scottish plantings and its closure is a bitter blow to foresters in that area.

Other mills and conversion facilities are either closing or have been much reduced to the extent that sales of timber for the present are into very much of a buyers' market. It is probable that such sales as have taken place have been at or below the costs of growing and extraction.

The expansion of private forestry was also badly hit by the 1979 June budget, which, by reducing very high rates of tax, gave rich men the alternative of enjoying their marginal income themselves, rather than leaving it in trees for their posterity to cash in.

One of the advantages which used to be claimed for forestry was that it would give employment in areas where there was little alternative. This hope,

which was perfectly sensible 50 years ago, has been upset by the facts of modern technology. The system of ploughing before planting means that no weeding is necessary in the majority of plantations. This, and the fall off in pulp wood sales, means that once the trees are planted they may not need the application of human labour for the best part of a lifetime. Forestry is now a matter of mobile gangs, working a long way from their bases.

It does seem that the Government has a responsibility here. It is doubtful if the proposed sale to private interests of a proportion of Forestry Commission plantations will do much for the Government's finances, which is its prime aim. But it will most probably undermine confidence in the future of forestry and its related interests.

No industry can operate successfully against the sort of competition that timber growers and users have to face from imports. It does not seem sensible to let the processing industry be crushed to the extent that the only outlet for some forms of timber has been its export to Scandinavia and elsewhere as a raw material for re-export back to this country.

This question becomes more urgent every year as the trees planted in past years come close to harvesting in increasing quantities. Simply to support an attenuated Forestry Commission is not sufficient for the provision of what is a vital raw material.

John Cherrington

## No sure way of budgeting

NO ONE has yet devised the ideal mechanism for farm accounting, and it is doubtful if anyone ever will, simply because a farm's basic prosperity is in the end controlled by the weather and the instability of markets. This means that an accurate budget is extraordinarily difficult to formulate. Yields can vary by at least 20 per cent annually due to causes right out of the farmers' control, and this applies both to crops and livestock.

In the same way, inputs can also vary widely. One year soil conditions and weed growth could be so favourable that a crop will be grown very cheaply indeed. But the following year the costs of the operations could be doubled. There is no cast iron rule for a farming process. The farmer has to do the best he can in the circumstances of the time.

In spite of the fixed prices of the Common Market, returns can vary very widely from what were expected when the farming policy was decided. For instance, total returns from sheep and cattle are actually less than they were at the same time last year, while grain prices are very little different.

For this reason most farmers budget their forward commitments and returns for very wide margins indeed. In the knowledge that almost everything could go wrong, and most probably will.

Another problem is in the practical impossibility of determining the relative profitability of the separate branches of a farm. The difficulty here is the allocation of overheads, because on a mixed farm there are quite long periods when, because of the weather or other causes, the men have little to do but wait for an opportunity for productive work. To which particular item should their cost be debited?

There are systems of enterprise costings, but they are extremely complicated to operate and not really practical to apply on the average farm. The alternative is the gross margin system which averages out the total fixed costs and total overheads on an acreage basis and then costs each crop on the basis of the actual inputs; seeds, fertilisers and chemicals as a

variable cost. The difference between the sum of the fixed and variable costs and the total return for the crop gives the gross margin.

This system, which is very widely used, is a valuable guide in the absence of anything else, but does not go sufficiently deeply into the fundamentals of farm management. A simple example is a farm where the rotation is dependent on a grassland break in the arable system. The return from this grassland is quite often much lower in gross margin terms than that from the cropped land: so much so that farmers tend to disregard the rotational benefits of a grass break and press for more cropping instead.

## Essential

This may or may not be technically wise, but the point is that in this and many similar cases, the grassland break is an essential factor in producing arable crops and in reality some of its expense should be debited against the arable crops which are making such a good showing.

Even complete enterprise costing accounting will fail to give the right answer to this particular conundrum. But the spread of computer services and other aids to calculation can set out the alternatives in a much shorter space of time than was ever possible before.

But the most modern of business aids to farming must take into account the human factor. The average farmer is an individualist, running his own show and of necessity doing more and more of this practical work himself.

He is probably perverse in that he is better at some things than others, and although, for instance, the computer may say that one particular branch of business should be dropped, it may be the one that he is best at doing. If he should be induced to drop it there is no certainty that what is left will be in any way improved because he may be temperamentally unsuited to it.

J.C.

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BECAUSE OF the comparatively small size of the average English farm, the scope for the employment of either managers or management services is necessarily limited. Few farm businesses have the margins within which to insert a management structure in the conventional sense. The majority of farmers are their own managers, and as the pressures on them increase, so they will be more involved in the practical details of their businesses.

This is already the rule in many overseas countries. In New Zealand and Australia, for instance, the manager of some quite large units is often the only man to be employed. In these cases there is scope for the provision of some essential auxiliary services.

Most farmers dislike book-keeping intensely, and a whole gamut of consultancy services is available for providing the specialised knowledge required in book-keeping, cash flow calculations and so on.

These services are being extended to technical guidance as well, in the use of chemicals and fertilisers. There is a plethora of choice with the Advisory Service, ADAS, merchant companies and private consultants all looking for the farmers' custom. This advice all has to be paid for in the end: even ADAS now makes a charge for some of its services.

Many of these people provide skills which in the old days the farmer provided himself. But he now no longer has the time

or the ability to master the constantly changing complexity of modern farming techniques—techniques which frequently last no more than a year or so before being superseded.

Owners of the larger estates can, of course, if they have their farms in hand, afford, because of their scale, to employ qualified managerial staff. In earlier days they used to involve themselves of this by letting their farms. But now virtual security of tenure has made this unattractive, and they have solved their management problems by farming in partnership with those who in other circumstances would have been their tenants.

## Squeezed

There are many of these farming partner companies, the best known pioneer being Velcourt, which can provide the working expertise for large areas of land. It appeared to do well enough in arable farming up to the last couple of years, but now that all farming costs are pressing upwards, the margins of profit to be shared between the partners are being squeezed.

One of the advantages claimed for the spread of partnership farming, and the involvement of big companies generally, was that it would provide opportunities for the employment as managers of the host of young men and women who leave agricultural colleges every year and who have really no hope of farming on their own.

This is true as far as it goes. But it is doubtful if these organisations can develop much further. Where employment is likely to be available is in the consultancy services aforementioned.

Few farmers have been trained to evaluate the complex techniques which are offered them today. Even if they had once been to college, the lessons learned there will have been superseded several times over since their graduation.

It does seem that the farm is becoming a battlefield with the salesmen of different nostrums fighting to sell the farmer the maximum to get the best results while the poor chap knows that the only criterion he has is whether the treatment, such as it is, will actually return a profit over its costs.

This is no way to denigrate those who provide the essential ingredients of successful husbandry. But on the other hand they are seldom in a position to give a categorical answer.

The most worthwhile adviser to employ is one who can give a definite answer on this point. Such paragons are very thin on the ground, even if they do exist, but their employment would be guaranteed once they had proved themselves.

J.C.

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14  
LOMBARD

# The Polish challenge

BY IAN DAVIDSON

EVER SINCE the Soviet Union extended its grip on eastern Europe, western observers have speculated how long the structure could last: could a system of centralised physical planning really deliver the goods in an age of extreme economic and technological complexity, and could the Russians seriously expect to be able to ensure that their satellites would indefinitely subordinate themselves, not merely to Soviet national interests and to Soviet foreign policy, but also to a slavish implementation of the Soviet political and economic model? Events now under way in Warsaw and Gdansk may not provide firm answers to such speculation, but they may well throw an interesting light on the problem.

## Tensions

This is not of course the first time these questions have been dramatised on the ground. Hungary in 1956 and Czechoslovakia in 1968 both bore eloquent witness to the inherent tensions in the systems imposed by the Soviet Union, and even more eloquent testimony to the Russians' determination that, if their satellites were not prepared voluntarily to submit to the Soviet model they would be made to submit by force. One cannot be sure that the Russians would not be prepared to go to the same lengths again if they felt that the situation in Poland had got out of hand and would or might threaten Soviet control, there or elsewhere in eastern Europe.

But they must be very reluctant to do so. Poland is a much larger and more populous country than Czechoslovakia, and Polish hatred of the Russians is legendary.

Naturally, there can be little doubt about the outcome of a Soviet military intervention, but if there were any fighting there could be a bloodbath. Coming on top of Afghanistan, such a sequence of events would have quite unpredictable consequences for the foreign policy of the Atlantic Alliance countries in general, and of the U.S. in particular, whoever is elected in November.

Of course things may not get that bad: the question is, how far can they go and still remain within the limits of Soviet toleration? After all, eastern

Europe is not totally monolithic, but shows significant diversity of methods and of policies.

Poland itself has a largely private agricultural sector, and a strong Catholic church. It would be surprising if the Russians could long tolerate genuine democracy in the Polish trade union system, let alone the establishment of genuinely free trade unions. But it must be assumed that Mr. Gierk got Moscow's blessing before he made an offer in this direction.

On the basis of the record elsewhere in eastern Europe it would seem that the sine qua non for the Russians is the maintenance of authoritarian political control by the party machine and the central state apparatus. Hungary and Romania have diverged from the basic model in economic and foreign policy, but they have not permitted political freedom. Dubcek overstepped the line by encouraging greater political liberalism; Gierk, by contrast, is trying to save the situation (and himself) by conceding as little on the political front as he can. His task (and that of the strikers) has been made much easier, in that their challenge to the state has been conducted with the greatest quietness.

## Legitimacy

But that the strikers are challenging the state and the party apparatus can scarcely be in doubt, whatever they may claim to the contrary. Autonomous and genuinely democratic trade unions must turn out to be rival political structures to the party. It is tempting to hope that the authorities may believe that they can live with such a change, on the grounds that this is the only way to regain a measure of popular legitimacy for themselves, as well as being the only way to limit the damage being inflicted on Poland's vulnerable economy, just as it is tempting to hope that Russian views on what is acceptable may have evolved. My own guess is that any political concessions to the strikers are bound to be suppressed in time, because they would be incompatible with party monopoly of power.

EVERYTHING the main holiday season is coming to an end, almost everyone connected with tourism on the North Wales coast took a close interest in the unemployment figures published this week.

For the areas of England hardest hit by the recession—Yorkshire and the Liverpool, Manchester and Midlands conurbations—are the homes of many of their holidaymakers.

The holiday season has been difficult this year. Empty breakfast tables in hotels and guest houses and the occasional arrival of half-full coaches during the peak season, were worrying reminders that many could not afford a holiday this year.

The three traditional resorts along the coast, Rhyl, Colwyn Bay, and Llandudno, are used to coping with the vagaries of British weather. But now they are forced to compete against package holidays not just to the Continent but new foreign holiday centres such as the U.S. and North Africa and sell their attractions to an increasingly mobile population. The days of the standard two-week stay booked months in advance are numbered.

People are still coming to the North Wales coast but many have less to spend, and the better-off are more fussy. The resorts are having to look carefully at what they are offering in an area where, because of the lack of industry, the local councils depend heavily on tourism-based businesses for their rates revenue.

At Rhyl, Mr. Ron Smith, Rhuddlan Borough Council's director of entertainments and publicity, said: "We have had a very poor season this year. British resorts have to look to their laurels in the present economic climate or they will fall by the wayside."

"Holidays are a competitive business and they are our staple industry here. There's little else."

Though the three resorts are friendly rivals, they vary widely in character and tend to attract different people. But since they are only a few miles apart anyone staying in, say, Colwyn Bay is very likely to spend some time (and money) in Rhyl, Llandudno, Abergel, or Prestatyn.



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# To-Agori-Mou needs no effort

TO-AGORI-MOU, my idea of the fastest two-year-old seen out this season, should have no difficulty in adding to his already formidable reputation in today's renewal of Sandown's Intercontinental Stakes. The race seems certain to shed

backed to succeed where Young Generation so narrowly failed again yesterday.

Now that Mr. John Baillie's Ultra Vires has, finally, opened her account, it will probably pay backers to keep her on the sidelines.

Ultra Vires is raised in class, but she could not be better handicapped off 7 st 7 lbs, and appeals as the afternoon's best bet.

**SANDOWN**  
2.30—Paler  
2.30—Red Gold  
3.05—To-Agori-Mou  
3.40—Ultra Vires\*\*\*  
4.10—Skukuz  
4.45—Schweveres Forever\*

**CHESTER**  
2.45—Fire Mountain  
3.15—Hawkins  
3.45—Frassas  
4.15—Salt\*\*\*

**HIV**  
9.55 am Survival. 10.20 Animated Classics. 10.55 Chopper Squad. 11.05 News. 11.30 Stars on Ice. 11.55 News. 12.00 Report West. 12.15 WKRP in Cincinnati. 12.30 Tanspelled. 12.45 News. 1.00 The Good Neighbourhood. 1.15 Chopper Squad.

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**SCOTLAND**  
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**SOUTHERN**  
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**WESTWARD**  
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**YORKSHIRE**  
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**GRANADA**  
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## THE ARTS

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## Cinema

## Edinburgh uphill, London down dale

by NIGEL ANDREWS

Edinburgh Film Festival  
Une Semaine de Vacances (AA)  
McVicar (K)  
The Fiendish Plot of Dr. Fu  
Manchu (A) Warner West End

Every film festival has its dotty and disreputable years, and 1980 piped in one of Edinburgh's. With commercial distributors stealing a march on the year's hit foreign movies—from Resnais's *Mon Oncle d'Amerique* to Kurosawa's *Kagemusha*—there were depleted pickings for the 1980 Scottish festival, and director Lynda Myles made a brave effort to make up with spirited odds and ends for what the festival lacked in real quality.

She half succeeded: stacking the fortnight's celluloid schedule with crusading carous and retrospectives. And she did keep the British flag flying. The BFI Production Board was represented in force, with four new films, and Scotland was honoured with a tribute to TV film-maker John Mackenzie.

But it was an uphill struggle. Edinburgh's devotion to the off-

beat and/or the low budget is grand when it's offered as the flip-side to a matching quota of strong, forward, well-crafted movies. But when the down-at-heel and dizzily erratic is all that's on offer, the diet becomes a bit arduous.

The best of the British Film Institute films was Richard Woolley's *Brothers and Sisters*. A kaleidoscopic crime thriller—Collins?—is used as the stalking-horse for an examination of sexist notions in Britain today. The police inquiry homes in on two brothers, divided by their life-styles and political beliefs—one is a commune-dwelling liberal, the other a starchy army major—but joined by their veiled, insidious misogyny.

Through a clever juggling of murder-thriller suspense and soap-opera naturalism, Woolley anatomises Anglo-Saxon attitudes to sex and the sexes, and by his playful, inventive visuals he injects at least a little cinematic vitality into the BFI's currently unstoppable determination that the movies they fund should be a platform for socio-political preaching.

Ken Loach's *The Gamekeeper* is indictable on similar charges, although Loach's work has an easy humanist grace that transcends its occasional tendency to nudge one sharply in the ribs with the Left elbow. This portrait of a gamekeeper on a big ducal estate—his mixture of dogged loyalty and sporadic exasperation as he hobbles with the nobles and sees the social inequities of life writ large around him—is always one step ahead of its own sermonising, and its real-life hero (George Furse) has a rough-diamond charisma that seizes and holds the centre of the screen.

Scotland unveiled the works of TV director John Mackenzie, one of whose productions popped up on the box last Tuesday night (*Just a Boy's Game*, written by Peter MacDougall). Mackenzie is a versatile filmmaker, seesawing between chips-with-everything naturalism and chips-on-the-shoulder Socialist propaganda.

*The Cheviot, The Stag and the Black, Black Oil* instances the latter, but is fiery, feral stuff as J.M. shows what he can do with a chop-about Brechtian pageant, penned by John McGrath, about how the long arm of English oppression has reached out to Scotland through the ages.

Mackenzie's latest film is in limbo-land at present between TV and the cinema, as no one can quite agree about which medium it belongs to. *The Long Good Friday* is a sort of St. Valentine's Day Massacre transposed to Swinging London. I should say Swinging London, since the amount of expense-account alcohol knocked back in this story of big-business-with-violence Down South and Oop North would probably float the Titanic.

Never mind, it's all bright, breezy, bloodthirsty story-telling: not much more artful or resonant than an episode of *The Sweeney* but brilliantly acted by Bob Hoskins as the lead hoodlum, a Don Corleone of Deptford with a bruiser's aphorism for all occasions.

From America came a small army of mini-budget features and featurettes. They emerged from the woodwork and socked you on the head whenever you entered Edinburgh's Filmhouse. I will go to my grave proclaiming my belief in the worthwhileness of Edinburgh's devotion over the years to independent American cheapies. It has turned up trumps more times than one can compute.

But this year's selection was frankly awful. You could sample the misfire slapstick of *Twins* or the enflamed camp of *Underground USA* or the Chinese-foot cutesiness of *Demons of the East*, a film about the making

of a film about... Or you could see *Supers* Punk movies from New York. Or rather you couldn't really see in a mist of poor focus and in earth-tremors of wobbly camerawork.

David Nunez's *Gal Young Un* was sedately traditional by comparison, but at least it established an instant handhold on the audience's attention and kept up its grip for 100-odd minutes. In rural Florida, we watch the quirky liaison between a gold-digging rascal and the wealthy, elderly widderwoman he marries.

Nunez charts the relationship's change from a breezy May-January courtship to post-marital disillusionment to a final scorpion's dance of conjugal spite. Riveting performances from David Peck as the man and Dana Preu as the old lady.

Out of the remaining global grab-bag of new cinema offered by Edinburgh '80, two films deserve wider exposure. One is Ann Hui's *The Secret from Hong Kong*: a kaleidoscopic murder thriller, bucking vivaciously between the sublime and the ridiculous and using a thrillingly fractured narrative to explore Who Killed The Young Couple In The Park. The style is several pegs higher than the penny dreadful basics of the crime story, but Miss Hui's skills tease us along oblivious of the incongruity, at least until the Z movie apocalypse of the last scene.

Also well worth a wider run is Jacques Bral's *Extrême Nuit*: a long, louché, languidly hypnotic glance at the underbelly of Paris life. Bral gives us the offbeat triangle of two carpe diem young layabouts—one an out of work musician, the other a "resting" writer—and the girl cab driver whose amorous path they cross.

She is feminism in motion: leather clad, laconic and giving as good, nay better, than she gets from men by robbing and/or seducing her own clients when she feels like it. Bral's film is an enigma wrapped in a delectable delicious comedy and one of the best French films for years.

Down here in London, Bertrand Tavernier's *Une Semaine de Vacances* opens at the Curzon this week. At last a replacement for *Courage Fuyons!* And a handsome one, too. The knight-errant spirit of Renoirian French humanism swoops this simple little tale—about a harassed teacher (Nathalie Baye) taking a week's mid-term furlough to rest and "find herself"—up on to its white charger and lends it a lovely, lithe, wind-blown grace.

The screenplay is little more than a series of casual, brushing, Chekhovian encounters as

Time momentarily expands for her to see and feel her surroundings, her friends, herself. She copes with her manic, rush-about lover (Gerard Lanvin), she befriends the sad, gusty father of one of her pupils (Michel Galabru), she visits her parents tucked away in rural France and she sorts through the odd portfolios of homework.

Best of all, in Nathalie Baye's exquisite performance, full of grace and soft shadows, she reflects all that passes before her—the people and the events—as a lighted river-wall reflects the ghostly ripples of the water at night.

Tavernier has cut away from this film all the rhetorical fat that enwrapped *Le Juge et L'Assassin* and *Death Watch*, returning to the slim-line humanism of *L'Horlogier de Saint-Paul*. For lovers of movie high-style there are few rewards.

Tavernier's camera simply treads on tiptoe in the wake of his characters, capturing a mannerism, a fleeting look, a turn of the head. But the deference is triumphant.

We end by knowing both why the heroine leaves her job and why she still loves it, what she gains from the week of quietness, friendship and fallow introspection, and what new strength she brings to the resumption of her work. See it—sometimes a film is as good as a holiday.

Sometimes, on the other hand, it isn't. You can put *McVicar* and *The Fiendish Plot of Dr. Fu Manchu* straight down on your Unwanted List. The first is Having-A-Lovey-Time-In-Here Majesty's Prisons—Wish-You-Here, as real-life internee John McVicar, played by crew-cut and frequently nude Roger Daltrey, rosters through thick-eared comedy and interminable jail riots before escaping through a tunnel in the shower-room. They should have built one in the cinema.

*Fu Manchu* is the celluloid swansong of Peter Sellers and is best turned a politely deaf ear to. Sellers flexes his tonsils by playing both Fu Manchu and the Oriental demon's antagonist Nayland Smith; but neither characterisation is vintage Sellers, the supporting cast is all-at-sea (including David Tomlinson and Helen Mirren) and the script is something awful. Stay with the memory of Sellers' *Being There* performance.



Fiona Fullerton and Brian Protheroe

Leonard Burt

Lyric, Hammersmith

## The Beggar's Opera

by MICHAEL COVENEY

When in charge of the Prospect Theatre Company, Toby Robertson unlocked the 18th century repertoire to good effect, echoing the work done by Nigel Playfair at this address in the 1920s. The Lyric's autumn season has opened with Mr. Robertson taking on Playfair's most famous hit, but on his own terms. Here is no wan revival of those pretty Claud Lovat Fraser designs. The Brechtian re-working is acknowledged in the form of scene announcements inscribed on tatty banners. David Turner's adaptation of John Gay's opera (1729) is unostentatiously updated, even if certain key passages are mysteriously lacking.

What happened, for instance, to Peachum's marvellous speech beginning: "Money is the true Fuller's Earth for reputations; there is not a spot or a stain but what it can take out?"

If Brecht and Weill rewrote a social indictment of the bourgeoisie, Gay set about showing the interdependence of social strata, with pecuniary impulse the great leveller and Macheath's hedonistic indulgence the trap door beneath the galleys.

Instead of Lovat's permanent stage architecture, the designer

Pamela Howard keeps an open stage which is surrounded by an evocative skyline of twinkling lights and invaded by scenic drops. An admirable fluency is maintained. Polly overhears her parents' plan to profit by her marriage to Macheath, by selling him to the law with her head poked through a hole in the domestic interior. When that cloth flies out, she is left picturesquely stranded on top of a ladder under the night sky to sing a reflective air. The other overall bonus is of the worlds of Newgate, the open road and the tavern all melding in a consistent visual statement.

I have not seen any of the recent operatic revivals of the piece, but the major stumbling block here proves to be the musical direction of Roy Moore.

Only two of the countless numbers really impress. They are the duet of Polly and Macheath, sung to the tune of "Over the fields and far away," on grounds of melodic familiarity; and the drinking trio for the brothel keeper, Peachum and Lockit, thanks to the gusty rendition of Rosemary Leach, Harold Innocent and Ronnie Stevens. The rest of the score is not sung expertly enough to make a good case for it, relapsing into tedious triple

time every two minutes, not at all helped by an inappropriate electric guitar in the pit.

Fiona Fullerton is pretty 'sively catty as Lucy Lockit, her rival. In the middle, Brian Protheroe stands firm as Macheath, even though he seems out of sympathy with the musical idiom. Mr. Turner has come up with an excellent solution to the finale, giving the beggar (Peter Ellis) good reason for a change of heart by reminding him that "only before the Royal Court" do plays have to be doggedly realistic. That allows for a change of heart as the beggar realises that a happy ending will ensure a run for his creation and an income from the royalties. He joins in the amoral fray.

Harold Innocent and Margaret Courtenay are a fine double act as the Peachums and there is some deft choreography by Sue Letton. But the evening suffers from a want of musical expertise, the sort of affectionate realisation necessary when modern companies take on a difficult work—however heralded by its reputation—that was the early fruit of a new genre, the ballad opera, cruelly cut down, in this country at least, by the intervention of the Lord Chamberlain in 1737.



Peter Sellers as Fu Manchu

Winter Garden, Broadway

## 42nd Street by FRANK LIPSUIS

*42nd Street* was destined for distinction. It started its try-out in the summer in Washington and brazenly premiered on Broadway in August, a full month before the traditional theatre season opening. It was meant to be big, brassy and impressive, a reminder of a lavishly stylish, time, when Broadway was not only lavish but also the epitome of what American entertainment could belt out, unembarrassed, to the world. After all, even originality as a film, *42nd Street* paid homage to Broadway and it still does, even with the lesser distinction of Broadway's having to honour itself.

Unexpectedly, the production doubles now as homage to its director and choreographer,

Gower Champion, whose death on the afternoon of Monday's premiere was announced to the audience after 10 curtain calls. That first-night audience was the only one that could judge the production innocent of the circumstances of its creation, including Champion's working through growing ill-health and the off-stage romance between him and the show's new star, Wanda Richert, ironically playing an ingenue who lands the big Broadway part and the director's heart.

The opening number, a familiar scene of Broadway try-outs, with extraordinary precision offset by a few humorous bloopers, stopped the show. And the enthusiasm built from there to a thundering crescendo. Jerry Orbach plays a sneer-

ing, thoroughly professional director trying to get his musical to Broadway, despite the carping objections of Tammy Grimes as an ageing starlet whose backwoods but rich boyfriend has put up the money for the show.

Cleverly mixing rehearsals with finished scenes, the play shows a reluctant Miss Grimes as she gradually gets into the swing of a number and ends up belting it out to the audience. Orbach and his assistant move spotlights in front of Miss Grimes and the chorus as they cavort round a huge screen to practise a number called "Shadow Waltz," playfully magnifying and shrinking the dancers while supposedly creating a new number.

And the dances are marvellously evocative of Broad-

way through the years, from flappers in pink leathers to tap-dancers who carry their dancing platforms out onto the stage. When the starlet breaks her ankle to give Miss Richert her chance for stardom, in comes the production number of "Give My Regards To Broadway." This cleverly begins with only Orbach singing and expands down the steps of the train to the station, from whence the would-be starlet is escaping, into a number that fills the stage—and the audience—with an anthem for the show and its lost creator.

Nothing better typifies the Broadway spirit for which Gower Champion will be remembered than his last production, into which he poured 40 years of Broadway knowledge and a huge stageful of inspiration.

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## Wielopole-Wielopole

by B. A. YOUNG

As Tadeusz Kantor explains in some helpful pages in his programme, for him reality is evoked not by illusion but by repetition—repetition with variation. A remembered character may turn up cloaked in someone else's personality, an event mixed with traditional tale.

So in Cricot 2's production of *Wielopole-Wielopole* (the doubling of the name of Kantor's birthplace is part of the repetition syndrome) the childhood memories come clad successively in different guises based on the same *données*.

The material consists of the family group, plus two significant additions, the Army and the Church. People, furniture and events are distorted.

The opening scene, for example, runs like this: in a vaguely-defined room, Kantor's family share their space with a squad of soldiers, sitting quietly in a corner, and a priest tied to the underside of a bed. An old lady takes snaps

with an old camera. A second priest lies on the bed, which is turned over to free the first. The camera becomes a machine-gun and fires a burst at the soldiers; the priest brings on a cross, big enough for a practical crucifixion and leads the soldiers off.

Similar scenes follow, in which family life is blended with warfare and the Passion. There are various crucifixions, one of a soldier wearing a brette over his uniform, and we end with a fantastic Last Supper on a table extemporised from chairs and plants. It is attended by a mob of troops carrying plaster dummies of naked men.

I don't find Kantor's work easy to follow, and its style is antipathetic to me. The production seems deliberately sloppy (though I can't believe it was meant to be as sloppy as it looked on Wednesday), and looked on Kantor's constant presence on stage, tiding the scenery and pretending to direct operations

already often performed, even conducting the taped music, seems to me either pointless or arrogant. There is no depth in the acting, which runs to funny voices and funny walks.

All the same, there is a curious fascination in this representation of distorted memory, though I can't feel that it is artistically contrived rather than genuinely felt. We can have another look at it soon at the Riverside Studios, Hammersmith.

Chinese opera company for Hong Kong Festival

A contingent of performing artists from China is to take part in the Hong Kong Festival of Asian Arts to be held in the British territory from October 16 to November 1. The 88-member Peking Opera second company, one of four major operatic companies on the mainland, will present China's first contribution to the festival.

## BBC SO's 50th season

The 50th season of the BBC Symphony Orchestra is planned as a major celebration of the orchestra's achievements. Gennadi Rozhdestvensky, its chief conductor, will conduct a series of concerts; four former chief conductors—Pierre Boulez, Sir Colin Davis, Antal Dorati and Rudolf Schwarz—each have a concert in the season.

On October 22, 1980, the orchestra celebrates its 50th birthday. The programme consists of Vaughan Williams's *Symphony No. 5*, Prokofiev's *Violin Concerto No. 1*, with Itzhak Perlman as soloist, and Stravinsky's *The Rite of Spring*. The orchestra will also celebrate the centenary of the birth of Bela Bartok with a concert of his music on March 25, 1981, and will stage a major Berlioz Festival at the Royal Albert Hall on April 1, 13 and 15.

Bruce McLean at Riverside Studios

New works by Bruce McLean will be on display in the foyer at Riverside Studios, London, W6 from October 1-November 2. To coincide with the exhibition there will also be a series of live performances by the artist.



## FINANCIAL TIMES

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## Results of the profit squeeze

BY ONE of those coincidences which rejoice the hearts of forecasters, but of nobody else, the National Institute of Economic and Social Research has today published a lengthy analysis of the likely results of the ferocious squeeze now being mounted on the profit margins of UK industry, within hours of appallingly illustrative figures from ICI. The forecast speaks of a general level of profits far below the worst levels of 1974-1975—the year in which the squeeze was widely discussed as a “Doomsday machine.” ICI, despite a rewarding involvement in the North Sea, has produced the worst figures for a decade, with a warning of worse to come.

## Capital base

When even a well-managed company in a technically advanced industry suffers in this way, there is no need to stress the aptness of the more general warning. The deadly combination of recession, high interest rates and a high exchange rate is ripping a huge, jagged hole in the cash flow of UK industry. In inflation-accounted terms, profits over a wide range of companies will be inadequate to maintain the capital base of industry, let alone pay dividends. We are effectively maintaining real incomes by squandering our productive potential, consuming both our North Sea capital and our industrial capital.

This is an almost unprecedented situation, and the National Institute has had to scrap the forecasts offered only three months ago, on the basis of its model, and take account of industry's self-defensive reactions.

The result is a much sharper setback to production than previously forecast. Non-oil industrial output is now expected to fall by five per cent this year, and by a further 1½ per cent next year. GDP as a whole, thanks to oil and services, is expected to fall by only two per cent this year, with the tentative beginnings of a recovery next year. Unemployment is forecast to rise more or less indefinitely. The sad thing is that there are no shocks here; it is simply a portrait of the UK economy as we now see it.

When real incomes are higher than can be justified by output, it is naturally tempting to look for an answer in terms of wages. The National Institute, as usual, summons up a vision of what it now rather coyly describes as “a reform of the bargaining system”—hitherto known as an incomes policy—as a way of

making a direct transfer from wages to profits.

The result of this wishful exercise is predictable: a short-term fall in real incomes, which might reduce home demand for a time, followed by lower inflation, lower interest rates, and finally a higher level of both output and real incomes than would otherwise be the case. This forecast will no doubt be adopted as a footnote to Ministerial sermons on the rewards of wage restraint.

However, in the real world an incomes policy is easily the least likely outcome of any consultations which the TUC succeeds in wresting from the Prime Minister. In the real world we must hope for salvation by some more probable means. In this respect there are some features of the National Institute forecast which may still be unrealistic, and other features which are oddly encouraging. What seems unrealistic is to assume, as this forecast does, that in the absence of a new approach to bargaining, wages will succeed in keeping up with past price increases. It is by no means only in the small firms cited in the review that the unprecedented profit squeeze is having unprecedented effects. If the hope now widely expressed of a much more moderate industrial wage round this year is fulfilled, some of the stresses in the economy will relieve themselves. It is not only management which react to new and intolerable realities.

## Borrowing

The encouraging feature of the forecast is the prediction that the Public Sector Borrowing Requirement will emerge more or less on target at £20bn, despite the sharp recession now contained in the forecast. If this is achieved—and the National Institute has an unusually good record in predicting this figure—one nightmare now widespread in the City will fade.

This in turn should pave the way for the most effective step the present Government could take to relieve the dangerous pressures to which private enterprise is now being subjected: a fall in interest rates, and consequently in the over-valued exchange rate, thus simultaneously relieving industry's cash flow and allowing some headroom for price adjustment. While a reduction in inflation may remain the Government's prime target, its speedy achievement can be bought at too high a price: that is the real message of this portrait of a profit-induced slump.

## Latin American detente

THE VISIT of General Jorge Videla, the President of Argentina, to Brazil last week was a success for the foreign ministries of both countries. Following the visit of General Joao Figueiredo, the Brazilian President, to Buenos Aires earlier this year it allowed both men to reaffirm that the governments of the two largest countries in South America were marching in step.

From both sides came the news that the rivalry between these two large countries which had kept them at loggerheads with each other for generations was coming to an end.

## Bridgebuilding

The bickering over the use of the waters of the River Paraná, which rises in Brazil and flows hundreds of miles through Argentina must now be a thing of the past, and the Brazilians can continue their construction of the great Itaipu Dam on the Paraná undisturbed by any further querulousness from Buenos Aires. Brazilian cars and lorries must now be able to pass freely through Argentina to their final destinations in other countries. The door may now be open for greater co-operation in nuclear matters between the two countries.

The diplomats in Brazil's Itamaraty Palace and in Argentina's Palacio San Martín have every right to be pleased with the fruit of months if not years of patient bridgebuilding and quiet back-room work.

It would however be a mistake for the outside world to read more into these presidential visits and the subsequent joint statements than is contained in them. Two swallows do not make a summer and two presidential excursions do not ensure lasting good relations between 120m Brazilians and 25m Argentines.

In the first place the Videla and Figueiredo governments may not be in any position to influence decisively the course of their countries' fortunes for many more years. The financial situation of Brazil is bad and not getting better and General

Figueiredo is faced with some extremely tricky economic and political decisions if he is to contain strong inflationary pressures and continue with his policy of liberalisation.

In Argentina, General Videla's term is coming to an end at a time when his country's balance of trade is moving heavily into deficit, inflation remains rampant and there are question marks about the political future under a new military President.

The Argentines have been carefully explicit that Brazil can expect no help from them on the principal problem which it faces, its foreign debt. Argentina has been willing and able to assist a small neighbour like Bolivia with its financial problems. But the size of Brazil's liabilities is such that Argentine help would scarcely be of any use if it were offered—which it is not.

Political differences between the two governments on matters of the moment are not far to seek. For instance, Brazil has condemned last month's military coup in Bolivia; Argentina fostered it and was among the first to recognise the new rulers in La Paz.

At a deeper level the rivalry between the largest country in South America, Brazil, and the most technologically advanced, Argentina, subsists. Brazil, because of its size, remains convinced that it has a world role to play, whatever its present economic difficulties.

## Co-operation

Many Argentines for their part cannot come to terms with the fact that Brazil, whose economic potential they lauded in the past to disregard, has long since outstripped them in many fields. Co-operation with Brazil goes against the grain for many in Argentina. The fact that Argentina must accept Brazil as the senior partner in any alliance is one that many Argentines will take a long time to accept.

The realist who observes the new cordiality between Brasilia and Buenos Aires will welcome it. But he will not expect it necessarily to be either long lasting or deeply felt.

## THE CARTER INDUSTRIAL PACKAGE

BY IAN HARGREAVES IN YOUNGSTOWN, OHIO

## The U.S. steel town that no longer makes steel

A RUMOUR run around Youngstown earlier this week that President Jimmy Carter would visit the stricken Ohio steel town to announce his long-awaited programme for revitalising U.S. industry. It was, as it turned out, no more than a rumour. It is easy enough to see why the President avoided any temptation to use the scarred slopes of the Mahoning Valley as his Gettysburg Address.

Youngstown, which 30 years ago formed the core of America's second largest steel making centre, has not poured a single ounce of steel this week, having just witnessed the closure of the last of its basic steelmaking plants.

Mr. Carter's campaign promises, his theories about supply side tax cuts—aimed at stimulating business—and his expressions of hope about jobs would have sounded hollow to the 5,000 Youngstowners who have most recently paid the price of the industrial failure which the President is seeking to remedy.

The suspicion that Mr. Carter is primarily electioneering may be partially correct. It does not, however, alter the fact that he is the first post-war American President to be on his feet at least acknowledging that the regeneration of America's basic manufacturing industry is a vital task. Whether the country will possess the political will—or the machinery—to tackle the problem in anything other than a haphazard fashion remains to be seen.

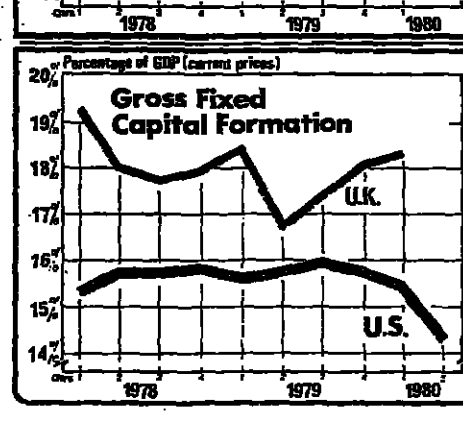
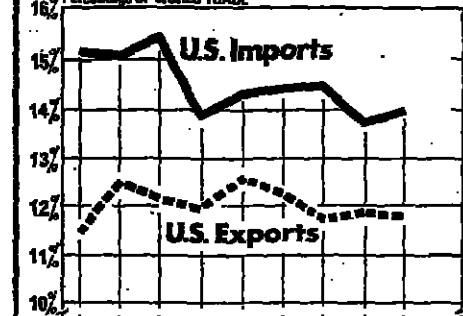
But if the President had wanted a Gettysburg—the hallowed battlefield of the civil war, where Abraham Lincoln delivered his famous words of national unity—he certainly could not have found a more apt territory than Youngstown, Ohio.

The national trends against which the President's policy is pitched—a capital formation to GNP ratio not much better than half that of Japan, erosion of the U.S. share of world markets, loss of leadership in research and development and stagnation of manufacturing productivity—are held up crudely to the light in Youngstown.

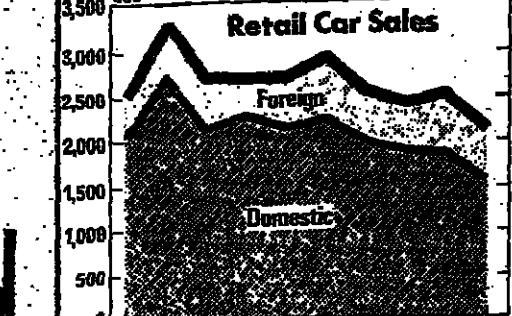
In the middle of 1980, Youngstown finds itself short of most of the basic industry which has sustained it for a century. It is 10,000 jobs worse off in a town of 120,000 people, has 15 per cent of its labour force out of work and a shattered tax base which is rushing the town towards a possible fiscal crisis.

The area's second most important industry, the motor business, is still deep in the doldrums and in an attempt to make fiscal ends meet, the city's Mayor is about to sack over a tenth of Youngstown's public employees, shutting three fire stations and suspending the ambulance service. Almost 16,000 families in the Mahoning Valley have reached that last dread stage of the American system by signing up for welfare—nearly twice the level of two years ago.

“The town is just falling to



## Measures of U.S. Economic Performance



bits,” says Mr. Bob Vasquez, the mild 32-year-old Puerto Rican who until a month ago was president of Local 1330 of the United Steel Workers of America (USW). Today he is sitting in the almost bare union office working with consultants from New York and Cleveland on a plan which, he hopes, will convince the Government to put \$100m in loan guarantees behind a workers’ co-operative to re-open the two most recently closed steel works.

Down the hill from his office, which he is under notice from his own union to quit, is the brick Victorian girls’ school of Youngstown Steel, the largest steel company in the country, and which in January was occupied for a day by angry steelworkers protesting against the company's shutdown.

Beyond that building is a 25-mile strip of the tangled cathedral-like contraptions of the industry around which Youngstown was built. In Youngstown itself, the only break in the grey of the roofs and the city's bricks, in fact the only evidence of anything new at all, are the pink and green boards over the mill windows. Behind those boards lay worn-out machines, some of them still steam powered, and a 70-year-old steel production system based on the energy-squandering open hearth system.

Youngstown's fate was settled more than a decade ago, when the three owners of its four major facilities—US Steel and two local companies later taken over by conglomerates—decided not to modernise.

US Steel's argument against modernisation was the need to conserve funds for grander investment in high volume steel

production elsewhere. A plan for a waterside plant on an internationally competitive scale at Conneaut, two hours drive north of Youngstown beside Lake Erie, still sits in the company's planning department, unable to meet return on capital requirements.

U.S. Steel, along with others, has concentrated on pressing Washington into the kind of supply side, business-aimed, fiscal incentives President Carter partially promised yesterday. The industry told the President in January that without such a package, by 1990 some 40 per cent of steel bought in the U.S. would be foreign-made and that 90,000 steelworkers would be on the streets.

Youngstown, in this context, is the steel industry's proof that it was not bluffing. Blame is easily and frequently laid. Management has been weak, inbred and insular. Labour has been intransigent and too expensive. The Government has assembled expensive anti-pollution laws just as steel was being forced by the end of oil and gas price controls to live in the world of high cost energy. Meanwhile, European countries are accused of subsidising their industries, and the Japanese have just been plain efficient.

This year the Carter administration has had to face constant criticism from Sen. Edward Kennedy that it is not paying enough attention to the needs of the North-East and the Mid-West, where most of the declining industries are concentrated. It is no coincidence that this is also the traditional centre of the Democratic vote.

Ohio, for example, is a state that President Carter knows that he must carry if he is to win the election. But the whole belt of states from Illinois across to New York face, in varying degrees, similar problems.

But it is not just the political statistics that have concentrated the President's mind.

What has alarmed the administration in particular are the figures for productivity and capital formation. Average manufacturing output per hour grew between 1977 and 1978 by only 0.6 per cent, worse even than Britain's 1.3 per cent and a startling one-sixth the rate of the improvement in West Germany. (Since then, as the graph above shows, there has been some change for the better in the American position.)

Even the American reputation for innovation appears threatened. The Comptroller noted that the proportion of U.S. spending on research and development to GNP has been on a declining trend since 1963.

Of course these figures mask very widespread disparities. The picture looks very different in the confident states of the sun belt, the southern third of the United States which has seen so much growth in the past 10 years. The aerospace, computer and telecommunications industries are probably as strong as they have ever been. Even the car industry's current problems, grievous though they are, cannot yet in any sense be described as terminal.

But for Youngstown and like it with a long industrial tradition behind them have now to pick up the pieces as the administration seeks to understand the full extent of the industrial malaise and to do something about it. To put it another way, is America really on its industrial uppers as some of the current rhetoric might suggest?

The answer from Youngstown, through the thinning sulphurous cloud which has overhung it for generations is a widespread if hesitant no.

Part of the reason for this confidence is the speed with which the local economy appeared to absorb the shock of

four closures in 1977. A year later unemployment was actually lower than before the closures, at 6.9 per cent.

Youngstown had not grown in line with the rest of the U.S. economy, but at least it had not sunk further.

The prime reason for this, was the expansion in 1978 of a nearby General Motors plant, which together with the stimulus given by the area's smaller companies by the then motor industry boom, sucked in most of the surplus workers

More willing to leave

But with the motor industry now in deep slumps and Youngstown's service sector hard hit by the recession—several shops have closed down, the only city centre hotel is bankrupt and large spaces in a downtown showpiece precinct have remained empty since 1976—the problems are much bigger this time around.

The local employment office reports that steelworkers today are much more willing than in 1978 to consider leaving the area altogether and abandoning the strong and, stable Italian-East European ethnic enclave of Youngstown.

Washington and the State Government of Ohio both acted too late last time to be of much help, but since then development agencies have had a chance to show some successes.

A small part of one of the first steel mills to close is open again, making railway spikes. A rubber hose company which collapsed in August, 1978, has reopened under 40 per cent worker ownership, and with a \$12.5m loan from the Federal Government. It is also making profits.

The plum deal, if it is completed, is a 1,500-job venture

by the Commuter Aircraft Company to build small aircraft in Youngstown, again with the help of Government loans guarantees, amounting to \$30m. This company considered locating in California, the traditional home of aerospace, but a shortage of skilled labour in the economically strong West Coast made even steel town wages seem reasonable by comparison.

One reason for the successes has been active ferreting by groups of local small businessmen, with whom Washington appears to have co-operated successfully.

But that does not prevent others from feeling that more radical solutions such as Bob Vasquez's Community Steel venture are the way forward.

The idea of a co-operative took roots three years ago, mainly then at the initiative of the highly active and influential Youngstown churches.

Since then, however, what has evolved is a sense that old attitudes must bend to the crisis—and this has produced a widespread questioning of U.S. Steel's record of non-investment and shutdown. This pragmatism has led the men of Local 1330 to find ways of reducing proposed manpower for the re-opened plant by almost one-third, mainly by cutting holidays, and to cut overheads by more than 20 per cent.

It is also pragmatism which has driven the USW leadership to allow two of the industry's weaker companies, Kaiser Steel and Wheeling-Pittsburgh, to be exempt from some of the provisions of the costly basic steel wage contracts, which afford workers around \$14 an hour in wages and benefits.

The Youngstown men feel bitterly let down by their union leadership, whose only public act in response to their plight has been to scrap the Youngstown union district and join the industry in pressing the White House for tax breaks and other assistance.

The American system is one of extremes. For the first six months to a year after redundancy each jobless Youngstown steelworker will take home around \$250 a week—depending on length of service and seniority—in unemployment benefits.

This retained spending power eases the shock on the local economy, reduces tension among workers themselves but sets a deadline for the individual involved to find work. Welfare and food stamps are available beyond that, but are paid only to those who are demonstrably poor.

All this has fed into the atmosphere of a town which although it has grown shabby at the centre is not desperately decrepit. Through it all, runs a belief that from somewhere near, or if necessary from further afield, in the vast diverse and in many areas still thriving U.S. economy, something will turn up. If it comes to the last straw men can migrate a thousand miles without language barriers to find a new job.

## MEN AND MATTERS

## Keen guest in Hesketh fold

As the finely-tuned Hesketh superbike revs impatiently on the starting-line, who is that familiar figure I spy donning his leathers and leaping aboard? It is, unmistakably, Sir Barrie Heath, retired GKN chairman, vice-president of the Society of Motor Manufacturers and Traders, and now a non-executive director of Hesketh Automotive Products.

Heath will bring to the Hesketh board a valuable industrial and City background as the fledgling company prepares to go public and move from Hesketh's picturesque Towcester estate to a factory at Daventry. Heath came to know the energetic racing-driver lord through GKN's involvement in the motor industry, and, he tells me, “when they cast a fly over me, I accepted.”

Was Heath, an enthusiastic yachtsman, also a motorcycling man? “You obviously don't know my wing-loading,” he chuckled. “Otherwise you wouldn't ask.” But while he may not have enjoyed a burn on the 140 mph Hesketh 1000 Vee Twin, Heath is confident of the virtues of what he calls “a fine bike.” Initial production will be some 2,000 models annually from late spring.

## Togetherness

Isolation in a one-family nuclear shelter, says Michael Noble, will drive the inmates “whacky.” Better barmy than irradiated, say I. But Noble, managing director of ICE Select International in Leeds, has a better idea—a radiation-proof hide-hole with neighbours.

He has asked Selby Council for permission to bury a rabbit warren shelter system under the grounds of his home at Ryther Hall in rural Yorkshire. To accommodate 50 families, their cats, canaries and goldfish, each family unit will be serviced by a central control office and share luxuries such as a medical centre complete with doctor,

exercise facilities and a 16-seat cinema. They will be built by his company, which specialises in instrumentation and fibre-glass buildings for industry.

“With a network of units,” he tells me, “it becomes feasible to install sophisticated equipment and an expertly manned central control, to bring down the cost and give some sense of community during the holocaust.” While an individual shelter with comparable counter-Apocalyptic accoutrements would cost £18,000, Noble says his will go for less than £10,000 each plus an annual maintenance charge.

With firm orders for the first eight home-from-home on his books, and fingers crossed for a nod from the council, he bubbles at the prospect of digging up the whole of his 54-acre estate and planting it through-out with 300 of the 50-family modules. Come the bombs, he is hardly likely to be bothered by men from the council complaining about overcrowding.

## Going, going . . .

The squeals from the art deco protesting at the razing of Firestone's lavatorial factory on the Great West Road, may, I suspect, have drowned out the din of demolition elsewhere in the land. Pillars of our industrial heritage are falling like nine-pins.

Out in leafy Buckinghamshire, British Land, having won a long battle against preservationists, has launched the bulldozers into the 120-acre site containing the remnants of the UK film industry. Former home of Sir Alexander Korda's celluloid empire, and birthplace of Sabu the Elephant Boy, the nine bangor-like sound stages of Denham Studios are being flattened.

The demolition men were called in simply because the local council was charging “penal” rates—double the norm—on the empty buildings, says British Land director Cyril Mellish. The clearance of the site, he adds, does not signal a start to development, although

TUC



“Well Mrs. T.—a shorter working week for Sir Geoffrey, Sir Keith and yourself would be a very constructive start!”

“all interests have been acquired together with planning consents and we are considering the alternatives now.”

Further north, meanwhile, the battle rages between civil engineers W. and J. R. Watson and the West Lothian District Council over the future of five heaps of shale spoil. Known locally as The Five Sisters, the council wants them scheduled as ancient monuments while the Watsons insist the rubble will serve Scotland better as filling material under a motorway.

## Back to the front

The Men and Matters Name-o-meter, a highly sophisticated early warning device for alerting me to topics of interest among the doings which cross my field of vision, has a long and retentive memory. So it was that, while sifting through the normally uninspiring news of discloseable shareholdings, the machine produced a gentle squawk when it digested the news that one Ian Wasserman now holds 11.06 per cent of troubled clock and hardware wholesaler H. Goldman.

“Ian the Deal,” as he was

known to some during his days as director of Slater Walker, has been buying and selling the odd share in what he describes to me as a “sensitive” way since he left the alma mater five years ago. Initially, he worked in tandem with William Booth, with whom he shared corporate finance responsibilities at SW. But their ways have since parted as shirt-maker Booth's tastes turned towards private companies and Wasserman's towards public ones. His current interests include stakes in voluntarily liquidated Lampa Securities and motor parts company Howard Tenens.

Wasserman is interested in principle in acquiring control of a public company—though Goldman, he insists, “isn't the one.” The reason for his being in, he tells me, is a longstanding relationship with Goldman directors. He may, he concedes, influence company policy “in a small way,” but he is not seeking an executive role.

Wasserman is far from the first of Jim Slater's merry men to put his head back above the parapet: and the market has generally offered a warm welcome back. Goldman shares moved up 3½p to 17p when Wasserman's interest was disclosed, while the activities of Slater and John Bentley have beefed up interest in the Tebbitt Group and Laganvale Estate.

## Interesting

While personalised number plates are more commonly seen in the West End than in the sober streets of the City, I suspect that the proud owner of MLR 1 would probably turn a few heads in Threadneedle Street. It currently ornaments an up-for-grabs custom Range Rover, owing more to the name of owner Michael Lee Rothman than to economic symbolism. Rothman is inviting offers for the turbo-charged velvet-lined supercar, and would consider throwing in the plate “if the price was right.”

Observer

## FIGHT BACK AGAINST CANCER

It is good to remember that most people live their lives untouched by any form of cancer.

But as all too many are aware, cancer is something that casts its shadow far beyond those it directly affects. That is why so many people think it right to help the urgent work of the Imperial Cancer Research Fund.



IMPERIAL CANCER RESEARCH FUND

One of the ways you can help us NOW

I am sending the sum of £... as a donation to the scientific work of the Imperial Cancer Research Fund. I do not require a receipt (please delete appropriately).

“As you are sure to know, a donation made by means of a Covenant allows us to reclaim tax paid, thus increasing our resources at no additional cost to the donor. We have up-to-date details of how to make a Covenant arrangement—if you would like them sent, please put a tick in this box.”

Name/Title \_\_\_\_\_

Address \_\_\_\_\_

The Appeals Secretary, Room 23  
Imperial Cancer Research Fund, PO Box 123,  
Lincoln's Inn Fields, London, WC2A 3PX



# The war of words over Jerusalem

JERUSALEM has often been dubbed the city of peace. But more wars have been fought over it than possibly any other city on earth. The current war is one of words, involving diplomatic resolutions, parliamentary proclamations and often wildly inaccurate claims by various sides.

Negotiators trying to patch together a lasting peace in the Middle East have always recognised that Jerusalem would prove the most intractable issue of all. For that reason they have tended to put it to one side, preferring not to think about it until everything else has been settled.

But Mr. Menachem Begin's decision to throw his weight behind a private member's bill in the Israeli Parliament proclaiming Jerusalem as the eternal and indivisible capital of Israel has forced the future of the city into the centre of the picture. In the process the Israeli Prime Minister has re-awakened Western concern about the fate of the city and created a receptive ear for Arab protests, largely ignored in the past, about its status.

Most of the 13 countries with embassies in the city have now announced that they are moving to Tel Aviv, including, most recently, the Netherlands which has been among Israel's staunchest supporters.

In the city itself the "Jerusalem law" changes little. It merely underlines a succession of changes which began 13 years ago when Israel captured, and immediately annexed, the Arab half of the city. Since then Israel has tried through massive building programmes to extend and deepen its hold.

Holy in varying degrees to three religions, Judaism, Christianity and Islam, Jerusalem is as much a symbol as a reality. For Jews it is the ancient city of David and site of the First

and Second Temples. For Christians it is the scene of Christ's greatest moments, and for the Moslems it is the place from which Mohammed ascended to heaven.

But few adherents abroad of these religions have any concept of the real city of today with its horn-honking traffic jams, its small and often grubby shops, dusty building sites and sometimes explosive communal tensions, as well as picturesque alleys and modern suburbs.

For a mere 19 years of its long and bloody history the city was divided by barbed wire and brick walls, Jordan controlling one side and Israel the other. Yet the reality created during that period between 1948 and 1967 left a lasting imprint on Jerusalem. When the Israelis conquered the Jordanian Arab half of the city in 1967 they found a city totally different from the one they knew.

Being right on the border and some distance from the commercial centres of both Jordan and Israel, the two halves of the city had become small, almost forgotten backwaters. In Israel it was Tel Aviv which developed, while in Jordan it was Amman and the East Bank which enjoyed most of the modern development.

The pre-1967 Jews in Israeli Jerusalem was that the most exciting thing to do in the city was to take the bus to Tel Aviv. For Jordan, Jerusalem was a city of merchants catering to the hundreds of thousands of tourists and pilgrims who came from all over the world to visit the holy sites.

The two sides were forced back into contact with brutal suddenness in June, 1967, and the shock was mutual. The Arabs stared in amazement at the Israeli traffic lights and girls in hot pants. The Jews



SYMBOL AND REALITY: The offices being built in the Arab sector of Jerusalem for Mr. Begin and (right) a police officer on duty outside the Prime Minister's home arrests a demonstrator protesting about the detention of the right-wing Rabbi Meir Kahane.

were taken aback by the range of shops overflowing with low-priced Western goods.

Thirteen years of living side by side has done little to bring Arab and Jew closer, but much to deepen the chasm. Israel's determination to strengthen its control over the city has alienated the Arab population.

The Jewish quarter of the Old City has been restored and recreated with loving care, regardless of expense. Suburbs of fortress-like apartment blocks have been built in a semi-circle around Arab East Jerusalem, both to defend it from attack from the East and to enclose the Arab sector within a wall of Jewish presence.

The result is that today Jerusalem is a widespread city of Jewish suburbs with a core of Arab population living inside it. To the west of the city is

Israel, to the east the world of Palestine, and the West Bank, increasingly angry at the spread of Israeli concrete.

Although Israel "annexed" East Jerusalem in 1967, even Israeli jurists have questioned the validity of this action. The Israelis themselves, as though equally aware of the fragility of their claim to the Arab city, have allowed the Arabs of East Jerusalem to continue studying according to the school curriculum of Jordan. Citizenship was offered to the Arabs, but when they failed to take advantage of this gesture nothing was done to force it upon them.

So Jerusalem remains two cities. A quarter of a million Jews live in West Jerusalem, and the exclusively Jewish suburbs built in the occupied part of the city, while over 100,000 Arabs live in the Old

City and the eastern suburbs which have remained totally Arab. The physical border may have been wiped out by Israeli building, but every Arab and every Jew knows the moment he has crossed the now-invisible partition line.

Viewed in terms of naked power, Israel made a major error in 1967 by not driving out the Arab population and later dressing this up as a voluntary exodus. But the Israelis were so surprised and excited to find themselves in possession of the Arab half of the city that they did not think about the future problems which this conquest

not only of a city but also an alien people, would bring. Today Israel could not possibly attempt such a solution to the problem of Jerusalem without creating a furor even among its allies, such as the U.S.

Even the largely symbolic action of proclaiming the whole city as Israel's capital now brings a storm of protest. Mr. Begin does not appear to have appreciated this changed reality, or if he has, he does not care about it. Still living the struggle of the 1940s, he pursues his goal of restoring all the "Land of Israel" to Jewish control, believing that the West's guilty sympathy towards the Jews has somewhat evaporated in an oil-hungry world.

By supporting the private member's Bill on Jerusalem Mr. Begin has drawn worldwide attention to Jerusalem and Israel's actions and succeeded in producing an exodus of ambassadors from the city which Israel wants all the world to view as its capital.

The struggle over the years to emphasise the fact that

Jerusalem is the capital of Israel has been a hard one. Because it was destined to be internationalised under the partition plan of 1947 no state recognised officially Israel's subsequent claim that it was the nation's capital.

The Netherlands, which had long shown great sympathy for Israel, upgraded its consulate-general in Jerusalem to embassy level. But no European state followed suit. In the 1960s Israel persuaded many of the Latin American states to open embassies in Jerusalem. But the total number never exceeded a baker's dozen.

Ironically, some of the most vociferous Israeli proponents of Jerusalem as the capital actually prefer to base themselves in Tel Aviv. Mr. Begin lived in a small flat there for three decades, moving to Jerusalem only in 1977 when his electoral victory provided him with an official residence in the capital.

Members of his ruling Likud bloc, who badge journalists, organisations and businessmen to move to Jerusalem tend to become tongue-tied when they are asked why the political party headquarters are still in Tel Aviv. Despite the trumpet about Jerusalem, it is Tel Aviv which remains the commercial and cultural hub of the country, housing the big companies and banks, theatres, orchestras and art galleries.

Nevertheless, Mr. Begin claims that there is a broad consensus among Israelis that Jerusalem must remain the country's undivided capital. The fact that the Labour Opposition voted for the Jerusalem Bill indicates that the former ruling party shares that belief. Even President Anwar Sadat of Egypt, the one Arab leader to seek peace with Israel, admits that the issue is so complex that it were better left till last of all the topics to be negotiated.

But for reasons best known to himself, and perhaps deeply buried in his psyche, Mr. Begin has chosen to take actions which have made Jerusalem an issue now, when the negotiations on Palestinian autonomy are frozen and only a few months remain before the U.S. presidential election.

By passing the Jerusalem law he has made future negotiations on the fate of the Arab part of the city even more complicated and has also forced Israel's main supporter, the U.S., to pay critical and public attention to developments in the city.

The renewed interest in the city has also raised the expectations of the Arab population. They have unavailingly protested and demonstrated for years against Israeli occupation; now they hope the world has finally woken up to their plight.

Despite the thousands of jobs which they find in Israeli enterprises and the Israeli social benefits paid to them, the Arabs of Jerusalem still fear and know that they are not part of Israel. They still hope that the city they are living in will one day be the capital of Palestine.

After 13 years of Israeli occupation, of ineffectual international protests, resolutions and condemnations, the Arabs have little faith left in any international solution to their problems in Jerusalem. They know that Jerusalem is Israel's by right of conquest, and few of them see any way that the situation can change without the use of counterforce. Many Arab residents hanker for the old neighbourliness of the days before Israel was created. But peaceful co-existence between Arab and Jew in Jerusalem can be genuine only when each has the same political rights, when neither group is dominated by its neighbour.

## Letters to the Editor

### Ability to pay

From Sir Alan Neale  
Sir,—In his Lombard column of August 26 Mr. Brittan points to the ability of some State concerns to pay higher wages "by raising monopolistically their charges to the consumer" and wants to have the decision to do so made by Ministers. There is a strong suggestion *falsi* that the private sector cannot do the same but there is a vast protected area that can and does.

Let me give just one example. I protect the contents of my house by a Lloyd's householders' policy arranged through a well-known, wholly reputable and "competitive" broker. Since 1970-71 we have added (modestly) to our possessions and sought to keep the value of the contents in line with inflation, so that the amount covered is now four times what it was then; this must be about par for the course. The premium for 1980-81, however, is 15 and a half times what it was ten years ago and no less than seven times what it was three years ago. State monopolies indeed!

Your readers may like to find other examples of what they pay now for their barbers, their plumbers, their auditors or for that matter for the Financial Times compared with ten years ago. In one sense these services are "competitive" in that we can switch suppliers, though not readily to suppliers abroad; but once a high rate of inflation takes hold and prices have to be raised regularly, it is clear that price competition breaks down in the protected sector and generous "going rates" get established. It is wilful blindness to facts of this kind which wholly misleads commentators and some policy makers as to the way the "market economy" will react to monetary measures.

Alan Neale,  
95 Slocaine Lane, N6.

### Freedom to organise

From the General Secretary  
Clearing Bank Union

Sir,—As the general secretary of a non-TUC union, may I add my name to those who applaud the actions of Polish workers in their fight to obtain free trade unions. My union is non-political and it is as an individual that I suggest that the courageous fight by Polish workers is an inspiration to all of us who are involved in representing employees in industry. I am sure my members who are not in a closed shop but have exercised their rights and privileges in a democratic society by entering membership of an independent union, will join me in wishing our Polish colleagues the same rights that they enjoy.

My congratulations go to Tom Jackson and Frank Chapple who have exhibited the true mark of both trade union solidarity and, perhaps even more important, continued the traditional attitude of the Polish people towards oppression whatever its source.

The TUC leadership has not done anybody any favours, least of all those in this country who would like to see it more effectively represent its member unions in the most difficult

economic circumstances for decades. It is with no pleasure that I see confirmed the rightness of my own union which decided not to seek TUC affiliation.

Jack Britz,  
Clearing Bank Union  
Wootton House,  
Wootton Bassett,  
Bourneville.

### Mortgage funds

From the Secretary-General,  
Building Societies Association.

Sir,—Mr. David Liss seemed to suggest (August 27) that, to help home-buyers, building societies should stop opening branch offices and devote the money thus saved to the provision of additional mortgage loans. The societies have found from long experience, however, that the best way to attract savings from the public is to open branches in good locations. These branches also act as a nucleus for recruiting investments from professional contacts in the area.

The branches need a running-in period, but within two or three years they are paying their way and providing an increasing flow of funds for home-buyers. Surely it would be a short-sighted policy to stop such capital investment. The funds generated over the years will be far in excess of the immediate savings.

Mr. Liss also suggested that I should look at the cost-efficiency of my members. In 1979 management costs for the whole movement stood at £1.05 for every £100 of mean total assets — a figure well below that of any comparable financial institution.

Norman Griggs,  
34, Park Street, Mayfair, W1.

### Covered market

From Mr. M. Matthews

Sir,—Mr. D. Liss's letter (August 27) on the subject of building society offices rings a very loud bell. Whenever I find myself provoked by a building society, it is my practice to point out that since they all provide substantially the same services they could do it much more economically by renting a joint office and each having a small booth in it, thus combining all of the building society offices under one roof, making it much easier for everyone to deal with them. For some reason this always seems to induce a state of apoplexy, but on logical grounds I can never understand why.

M. C. Matthews,  
Matthews and Matthews,  
13, Princes Street,  
Dorchester, Dorset.

### Personal savings

From Mr. C. Beney

Sir,—The negative approach of the secretary general of the Building Societies Association (August 23) must be countered. He says there is no way building societies could compete with inflation proofed Government media.

He neglects to indicate the

key assumption implicit in this statement—namely, that building societies savings will always be taxable (albeit somewhat under standard rate for standard rate payers). Why should this be so? Now that capital gains tax has effectively been abolished for the small personal saver, is the time not ripe to abolish income-tax on the gain (interest) on fixed capital? After all, the "gain" in both cases has mostly proved a loss in real terms.

The present "gross" rate from building societies is close to the inflation rate and even if it were not, borrowers get such a bargain that, long term, they could stand a higher charge thus allowing a higher payment to lenders.

At present we have the ludicrous situation that potential first time house buyers have enormous problems in saving the deposit, etc., simply because any savings they do make, simply shrink away before they can collect enough together. So if both building society and Government deposits were tax and inflation free or nearly so then younger people would choose building society in order to get mortgages and much real new money would be attracted. In the context of possible massive sales of council houses this approach might avoid a serious short-term mortgage fund shortage.

If the fiscal limits were set approximately (eg. £5,000 maximum in a building society treated this way) then those not seeking mortgages would turn to a government scheme for any sums available above this limit. There could also be some interesting interaction with pension funds—but that is another story.

C. B. N. Beney,  
12, Woodlands Road, Bushey,  
Watford, Herts.

### Power from the wind

From Mr. B. Wood

Sir,—About 35 years ago there was considerable interest in windmills for electric power generation. The first large unit at Grandpa's Knob in the U.S. soon smashed up. The 1 MW at Orkney was luckily dismantled when a big wind came in about 1947 and was never reinstalled. Darrieus in Paris had built a whole series of aerodynamically clever windmills from 1902 to 1936. They all blew down. That was why he abandoned the horizontal axis type in favour of the vertical axis egg beater which can be guyed. Recently two large windmills were built in the U.S. and both blew down immediately.

The explanation is that the power in the wind through a given area varies as the cube of the velocity. A constant speed windmill cannot use low velocities if it is designed to utilise moderate velocities at good efficiency for power. It also cannot use high velocities. It has a rather narrow range of application. Above a certain wind velocity the excess power must be split off the windmill must be braked or shut down. The old miller who lived in his windmill heard the wind increasing. If lucky, and took appropriate action. That is why a few of them survived for years. Even small fixed sail windmills for

farm pumping do not survive long as experience in Malta, Mallorca and U.S. shows though when sails were made of sail cloth as in Portugal they would rip and so save the mill.

The evidence is that aircraft or helicopter technology with its low factors of safety is inappropriate to windmill work. Do the authorities who are now proposing to spend public money on windmills know about this and are they taking suitable precautions or heading for another predictable fiasco?

B. Wood,  
16, Park House Gardens,  
Twickenham.

### Investment in industry

From Mr. N. Horwood

Sir,—The question which must be answered, and soon, is — why is there such reluctance to invest in industry?

There is really only one answer — the potential investor cannot see an improvement in the economic or social climate of the U.K. in the foreseeable future. Something must therefore happen to reverse the present trend, and the something must be unambiguous and clear to academics and laymen alike. In my view there are two matters demanding Government attention immediately.

The first is the rate of interest charged to industry, and the second is the credibility of the Government as projected by its public spokesmen.

I can see no reason why industry should be forced by Government to pay usurious interest, and the rate charged to industrial borrowers should be in the region of 50 per cent of minimum lending rate. This would put the cash flow where it can do most good, into the hands of the primary investor, not the fuddy duddy banks.

While the great majority are sick and tired of the destructive activities of the far-Left militants and their political hangers-on, they are also disenchanted with the miserable performance of the members of the Government who have the task of presenting the Government's policies, especially through the podium of TV. The majority of Government spokesmen, with the virtually sole exception of Mrs. Thatcher, appear to be in a permanently defensive cold sweat. Often they seem to be uncertain of their facts, and have to resort to platitudes and clichés, which, alongside the loud-mouthed, articulate destroyers of the Left, make them seem inept and incompetent. This reflects on the Government as a whole, at least to the ordinary viewer.

I can only hope that the Prime Minister can so restructure the Cabinet and the team of spokesmen that she does not lose the services of the highly experienced but counterproductive image-projectors, while achieving the creation of a credible public spokesman. She should herself be seen far more often, even on a regular basis, but always in a structured discussion situation, not some random visit with heckling well organised.

But first let's give industry a chance.

Norman Horwood,  
11, Melville Hall, Holly Road,  
Edgbaston, Birmingham.

## Today's Events

GENERAL  
UK: Mr. Ian MacGregor,  
British Steel Corporation chairman, has first meeting with  
Trades Union Congress Iron and  
Steel Committee.

Mr. Alhaji Amadu Fika,  
Permanent Secretary at the  
Nigerian Federal Ministry of  
Commerce, speaks on import and  
export growth to the Nigerian-  
British Chamber of Commerce,  
69, Cannon Street, EC4.

Road Haulage Association  
holds its first weekend workshop  
on Heavy Vehicles and Techno-  
graphs, Blackpool (until August  
31).

Paintings and sculpture

selected by John Hoyland form  
the annual show opening at the  
Hayward Gallery, SW1 (until  
October 12).

Aviation Week and Space  
Technology presentation dinner  
for the John Curtis Memorial  
Sword Award presented for signi-  
cant contributions to Anglo-  
American aerospace co-operation,  
HMS Belfast.

Overseas: America's Cup  
Challenge final round, Newport,  
Rhode Island.

National People's Congress  
standing committee meets,  
Peking.

COMPANY MEETINGS

Peter Brotherhood, Winchester  
House, 100, Old Broad Street,  
EC, 12 London Investment  
Trust, The Howard Hotel,  
Temple Place, WC, 11.30. R. W.  
Toothill, Durham Way, Aycliffe  
Industrial Estate, Darlington, Co.  
Durham, 12. Marston, Thompson  
and Evershed, Shobnall Road,  
Burton-on-Trent, 11.30.

COMPANY RESULTS

Final dividends: Barker and  
Dobson, Grippen Holdings,  
Interim dividends: Alcan  
Aluminium (UK), BBA William  
Jacks, Scottish Northern Invest-  
ment Trust, Wagon Finance

Corporation.

MUSIC, London  
Malcolm Burnock Orchestra  
plays, Tower Place, EC4, noon.  
Cello recital by John Francor  
St. Lawrence Jewry, Gresham  
Street, 1.00 pm.

Concert by the Anglo-Swedish  
Baroque Ensemble at the British  
Music Information Centre, 11  
Stratford Place, W1, 7.30 pm.

SPORT  
Cricket: Cornhill Insurance  
Centenary Test—England  
Australia, at Lord's (until  
September 2).

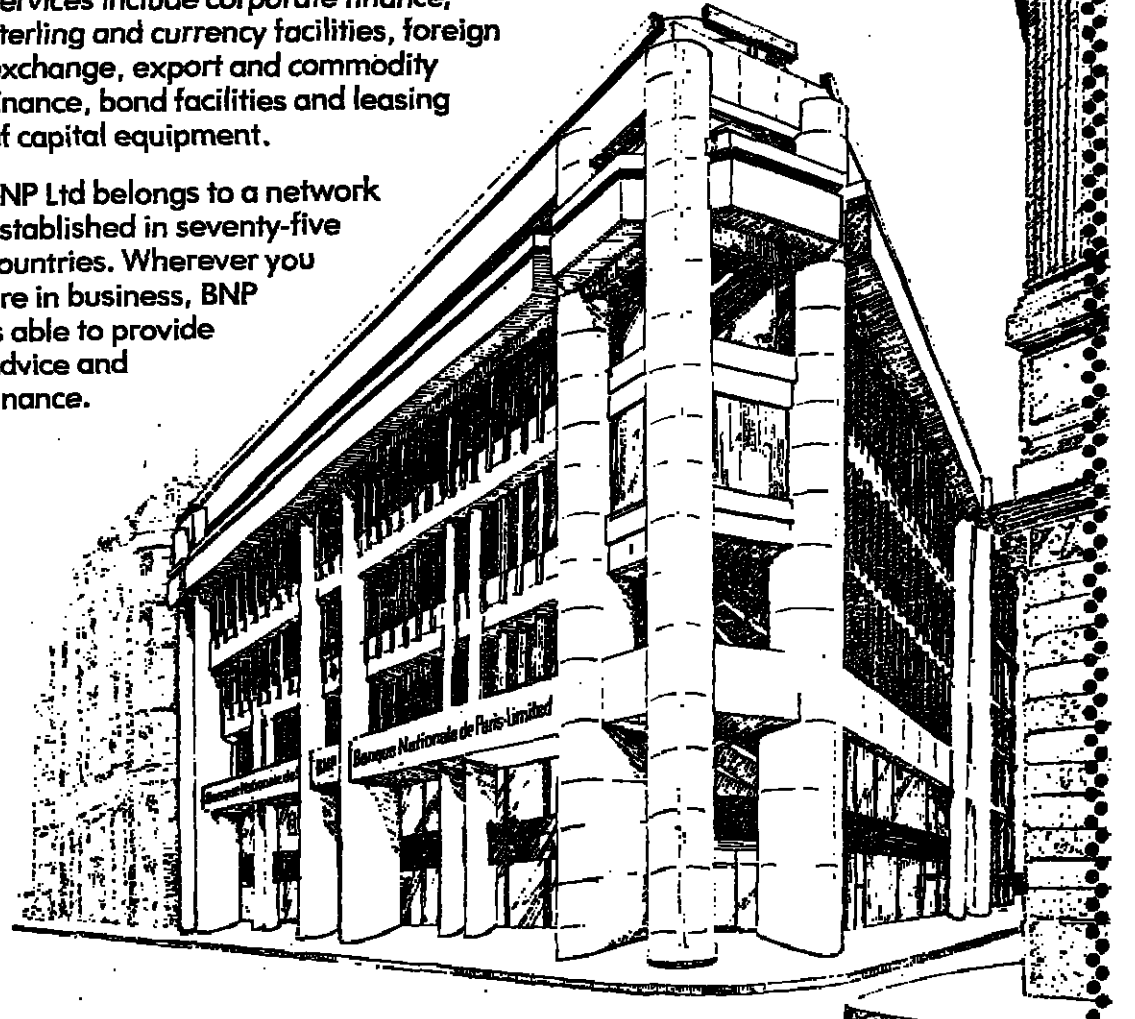
Golf: British Women's  
Amateur Stroke-play Champion-  
ship, Brancepeth Castle, Co.  
Durham.

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## ICI profit slumps to £72m in second quarter

SECOND QUARTER profits before tax of Imperial Chemical Industries fell sharply from £162m to £72m, reducing the total for the first half of 1980 from £226m to £224m.

However, the interim dividend is held at 12p per £1 share. The total last year was 23p on pre-tax profits of £580m.

The directors say the drop in second quarter profits resulted from a severe deterioration in trading conditions in the UK, Western Europe and the U.S., which began early in the quarter and further deterioration continues.

"It has affected volumes and profit margins for both home and export sales, especially in petrochemicals, plastics, fibres and dyestuffs."

Sales in the first half rose from £1,056m to £1,270m in the UK and from £1,522m to £1,712m overseas, lifting the total from £2,578m to £2,982m.

First half profit is after depreciation of £141m (£118m) and exchange losses on net current assets of overseas subsidiaries of £22m (£29m).

The group's oil business, including its share in the North Sea Ninian oilfield, produced trading profits amounting to £23m after PRT of £13m.

The charge for tax less grants for the first half year, amounting to £56m (£53m), consists of £32m of UK corporation tax (£28m), £23m overseas tax (£19m) and £5m on the profits of principal associated companies.



Sir Maurice Hodgson, chairman of ICI... recession has bitten into second-quarter results.

(£7m) less a credit of £1m for Government grants (same). Stated earnings per share are 26.5p (34.8p).

Results for the first nine months this year will be announced on November 27. Lex. Back Page

## Scottish Agricultural edges up

WITH increased sales offsetting higher costs but failing to match inflation, pre-tax profits of Scottish Agricultural Industries, fertilisers and feedstuffs subsidiary of Imperial Chemical Industries, rose only marginally from £1.7m to £1.8m for the six months to June 30, 1980.

And with the general economic climate reflected in the new fertiliser trading season, the directors say that the 12-month

profit will fall short of last year's record £5.8m.

The interim dividend is maintained at 5.75p net. Last year's total was 14.75p.

Sales in the half-year rose from £38.7m to £41.9m and profit after taxation—unchanged at £900,000—moved up from £900,000 to £1m.

Chairman, Mr. B. Appleton, told the annual meeting last March that the large increases

in sulphur and phosphate rock prices at the beginning of 1980 might be offset to some extent by the strength of sterling, but would put considerable pressure on maintaining margins in a highly-competitive business.

comment

First-half results from Scottish Agricultural Industries reflect the reasonable conditions prevailing in the last "farming year". The current farming year, which started in June, is proving to be much weaker.

Cash-squeezed farmers are holding back on fertiliser purchases and SAJ fears they will be equally tight-fisted later in the year when it comes to buying seed and other crop chemicals.

Meanwhile, the costs of ammonia, phosphate and sulphur continue to rise and the company anticipates a smaller profit than the £5.8m before tax earned last year. A good guess might be £5.3m. That would leave the shares, down 2p to 180p yesterday, on an undemanding six times fully taxed earnings.

Following an unchanged interim dividend, the final might look a bit precarious if it were not for the group's strong balance sheet and ICI's large interest and involvement. On a maintained final, the prospective yield is 11.7 per cent.

ASSOCIATE DEAL

On August 27 last, S. G. Warburg, as an associate of Costain Group, bought on behalf of a discretionary investment client, 25,000 ordinary shares of 25p of Costain Group, at 184p each.

## Stoddard falls to second half loss and omits final

SECOND-HALF losses of £284,000 compared with profits of £339,000 have left the pre-tax surplus of Stoddard Holdings, carpet manufacturer, well down at £86,000 for the year to May 31, 1980 against £765,000. Midway profits were down from £428,000 to £370,000.

The directors are omitting the final dividend, and the interim of 0.556p represents the total for the year, compared with 1.3896p in 1978-79.

Demand has eased both in Europe and America, they state, and may well remain depressed for some time ahead. The home market remains highly competitive, with demand at a lower level than a year ago, and it has

not been possible to maintain full-time working. But they have reasonable hopes of increasing the group's share of the total British carpet market.

The surplus this time is struck after exchange losses of £222,000 (£261,000) and finance charges of £628,000 (£454,000) but before tax credits of £84,000 (£7,000). Sales rose marginally to £23.58m (£23.1m).

An extraordinary debit of £107,000 comprises redundancy and closure costs resulting from the shutdown of the Galashiels mill of £222,000 less deferred tax relief of £115,000.

Earnings per share are shown as 2p, down from 9.5p.

The flood of low-quality American imports, largely

resulting from subsidised American material and power costs, meant the production programme for the Lyle's tufted carpet had to be replanned, states Sir Robert A. Maclean, chairman.

This replanning, and clearing stocks adversely affected by these imports, cost some £250,000.

Tufter turnover is now rising steadily, he adds, and last year's tufter losses should not recur.

To assist export sales which fell largely because of the strength of sterling, prices in overseas markets had been held or only moderately increased.

But there are obvious limits to such a policy, points out the chairman, and the Canadian associate company was closed and representation in some other overseas markets severely curtailed.

comment

Yesterday's grim figures from Stoddard pushed the "A" shares down 2p to 18p, well below par value and within a whisker of their 1980 low.

The second half showed a pre-tax loss of £284,000 and the dividend omission indicates that little better is expected in the current year. Even after extensive price cutting, sales are stagnant and most short-term hopes must be pinned on the tufted carpet business moving into profit.

Reorganisation and stock clearance carved £250,000 out of the revenue account last year but the effect has been to move the operation out of the bottom end of the market, where U.S. competition is particularly fierce.

Recovery in the Axminster and Wilton business must await a further fall in interest rates and a weakening in sterling, but the current shrinkage in industry capacity should rebound to Stoddard's benefit in the long run.

The p/e of 9 on reported earnings is certainly discounting a measure of improvement. In the meantime, interest will focus on the intentions of Hampton, the mysterious Panamanian company which has taken a 12 per cent stake in Stoddard's voting stock. As the majority of voting shares are controlled by family interests, Hampton's motives are a shade obscure.

## Sharpe & Fisher reach £581,000

ON SALES up from £10.3m to £13.03m, taxable profits of builders merchant Sharpe & Fisher rose in the six months to June 30 to £581,000, compared with last time's £473,000.

The chairman says that the satisfactory results were mainly due to the first quarter sales which were well ahead of 1979 when building activity was depressed by bad weather.

He warns, however, that trade is currently at a lower volume level than last year and all economic signs point to difficult times ahead. This, he adds, makes it unwise to forecast results for the year, but the board is making every effort to capitalise on sales opportunities and to combat ever increasing costs.

Tax for the six months rose from £159,000 to £194,000 and the interim dividend is increased fractionally to 0.55p net (0.5p).

—last year's total was 1.75p from pre-tax profits of £473,000.

ringgits in the year to June 30, 1980.

Turnover of the company, 50 per cent owned by Rothmans International of the UK, rose by 21 per cent to 333.8m ringgits.

## Somportex more than doubled

Taxable profits of Somportex Holdings, distributor of confectionery, groceries and delicatessen products, more than doubled in the year ended April 30, 1980, finishing at £399,327 against £176,918. The annual dividend is stepped up from 4.5p to 5.625p net.

Sales rose from £3.97m to £5.54m and earnings per share, after tax of £181,721 (£103,262) are shown up from 10.38p to 25.37p.

Despite being a depressed sector of industry, the sugar and confectionery side made a fair contribution, say the directors, with the Slush Puppie line consolidating its hold nationally and showing scope for continued growth.

## Rothmans of Malaysia

Rothmans of Pall Mall (Malaysia) increased its pre-tax profits by 20 per cent to 23.9m

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## Rohan earns and pays more at interim stage

TAXABLE PROFITS of Rohan Group, the Irish-based industrial estate developer and building contractor, rose in the half-year to June 30, 1980, to £111.71m compared with £802,000 for the six months to April 30, 1979.

The results are not directly comparable owing to a change in the company's year-end date from April 30 to December 31.

Turnover for the period came out at £12.33m (£9.63m). The interim dividend is raised from 3.2p to 4.8p net—an effective increase of 50 per cent. Last time a final of 2.13p was paid in the eight months period.

The directors say that having regard to the current workload, and barring unforeseen circumstances, second-half profits will be greater than those earned in the first half.

They say that the continued growth in profits reflects the broadening base of activities in both Ireland and the UK.

The group has continued its policy of building up its portfolio of investments in industrial buildings. The 1980 annual report will incorporate a market valuation of these investments

which it is anticipated will show a substantial surplus. The liquidity position remains satisfactory.

After six months' tax of £28,000 (£319,000), earnings per 10p share are shown as 22.7p, against 8.6p as April, 1979.

comment

Yesterday's grim figures from Stoddard pushed the "A" shares down 2p to 18p, well below par value and within a whisker of their 1980 low.

The second half showed a pre-tax loss of £284,000 and the dividend omission indicates that little better is expected in the current year. Even after extensive price cutting, sales are stagnant and most short-term hopes must be pinned on the tufted carpet business moving into profit.

Reorganisation and stock clearance carved £250,000 out of the revenue account last year but the effect has been to move the operation out of the bottom end of the market, where U.S. competition is particularly fierce.

Recovery in the Axminster and Wilton business must await a further fall in interest rates and a weakening in sterling, but the current shrinkage in industry capacity should rebound to Stoddard's benefit in the long run.

The p/e of 9 on reported earnings is certainly discounting a measure of improvement. In the meantime, interest will focus on the intentions of Hampton, the mysterious Panamanian company which has taken a 12 per cent stake in Stoddard's voting stock. As the majority of voting shares are controlled by family interests, Hampton's motives are a shade obscure.

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## PSIT Property Security Investment Trust Limited

Property Income Up

Scrip Issue

Extracts from the statement by the Chairman, Mr. A. R. Perry.

- Net property income has risen from £3.28 million to £3.75 million.
- Profit before tax rose from £360,000 to £865,000.
- Further lettings at Newcastle, Goole, Broadbeath and Manchester.
- Pre-let developments in Aldershot well under way.
- Planning permission for warehousing and offices in Dublin.
- Group has adequate financial facilities.
- Scrip issue 1 for 4 ordinary shares.

Results for the year ended 31st March 1980

£'000s	1980	1979	1978
Rents receivable	4,302	3,735	3,177
Net property income	3,746	3,282	2,771
Surplus before tax and extraordinary items	865	360	(77)
Ordinary dividend per share	1.8p	1.6p	*1.3933p
Share capital and reserves	37,110	34,972	16,267

\*Adjusted for scrip issue

Copies of the complete Report and Accounts may be obtained from the Secretaries, W. H. Standford & Co., 1 Love Lane, London EC2V 7JL.

## Victor

### Victor Products (Wallsend) Ltd. Annual Statement

Year ended 30th April	1980	1979
Turnover	£11,656,000	£10,216,000
Pre-tax profit	1,746,341	1,588,887
After tax profit	1,443,881	1,389,371
Dividends		
Preference Shares paid	76,461	37,917
Ordinary Shares		
Interim paid	114,692	56,811
Final proposed	210,269	229,384
Earnings per share	17.88p	17.67p

An interim dividend of 1.5p per share was paid on 7th April, 1980. The proposed final dividend of 2.75p per share will be paid on 8th October, 1980. With tax credit the dividend for the year is equivalent to 24.28% gross (21.38% gross last year).

The Annual General Meeting will be held on the 8th October, 1980.

Copies of the Annual Report and Accounts may be obtained from the Secretary at P.O. Box, Wallsend, Tyne & Wear NE28 6PP, from 15th September 1980.

## Companies and Markets

## UK COMPANY NEWS

### MINING NEWS

## Homestake finds gold in California

BY GEORGE MILLING-STANLEY

AMERICA'S LARGEST gold producer, Homestake Mining, has long depended on the original Homestake property in the Black Hills of South Dakota for the bulk of its gold income, but at last begun to reap the benefit of a major expansion in its exploration activity.

The company has discovered gold in significant quantities in California, with an estimated annual output of a minimum of 100,000 ounces of fine gold over at least the next 10 years.

While this mine is smaller than the original Homestake discovery near Dakota's Bobtail

Guich, which last year produced 248,000 ounces, it will provide a significant boost to California's current annual output of less than 7,000 ounces.

Mr. Harry M. Conger, president and chief executive of Homestake, said yesterday that there are at least 1m ozs of gold at the new discovery, and the mine's life may well exceed current estimates of around 10 years.

Based on results from 68 holes drilled, the deposit, 70 miles north-west of Sacramento, contains in excess of 6m tonnes of ore with an average grade of more than 5 grammes of gold per tonne.

The deposit is in the northern part of Napa County, in a remote area where mining operations have been carried out intermittently over the past 100 years, but where gold has not so far been produced.

Ironically, the area was bypassed during the California Gold Rush of 1849 because it was considered unpromising. The gold is in finely disseminated particles which are not visible to the naked eye and cannot be panned.

Homestake expects the mine and mill to be in operation by 1984. The deposit will be mined by surface methods, which Mr. Conger said would be relatively inexpensive. "We are looking at mining costs of \$10 to \$15 a tonne, and milling costs of \$6 to \$8," he said.

### Pahang in bid for Tanjong

AS EXPECTED, the Malaysian tin producer Pahang Consolidated has emerged as the counter-bidder for Tanjong Tin Dredging, Pahang, which already owns 430,000 shares, or 25.8 per cent, of Tanjong. The acquisition will also help Pahang to expand its own mining operations.

The stake in Tanjong was originally acquired in 1978 from Faber Union for a consideration of around \$450,000.

Tanjong's shares were suspended in London for a week earlier this month after the company's announcement that it was involved in negotiations which could lead to a takeover.

The London listing was restored when Tanjong Enterprises, a Malaysian company controlled by the David Kuok family interests, revealed that it had increased its stake in Tanjong.

After relisting, Tanjong's shares moved up to a price of 125p on speculation of a counter-bid. They were again suspended in London on Tuesday morning when Tanjong told the Kuala Lumpur exchange that further negotiations were taking place which might lead to a counter-offer.

Pahang's offer is subject to all necessary regulatory consents in the UK and Malaysia.

Baring Brothers, the London merchant bank advising Pahang, said yesterday that it was satisfied that Pahang had sufficient resources to implement the offer, which would cost the company £1.2m in cash in the event of full acceptance.

Tanjong's London listing was restored yesterday, and the shares closed at 115p. Pahang closed at 40p.

## White wins battle with Bond

THE LONG-RUNNING battle for control of the New South Wales coal producer White Industries has ended in victory for the White camp. The interests associated with Mr. Alan Bond, the Western Australian businessman, have capitulated and sold to associates of White, including the White family and Mitsubishi of Japan, reports James Forth from Sydney.

But the White camp has paid dearly for its victory, with the Bond group making a pre-tax profit on its investment of around \$40m (120m).

Consolidated Press Holdings, Mr. Kerry Packer's group, which was involved in the early stages of the struggle, has already made a profit of \$10m on the sale of its 26 per cent stake in White to the Bond group.

The battle broke out late in January, when the White share price jumped from \$8 to \$30

in just three days. The Bond group later revealed that it was the buyer, and made a partial offer for control through Endeavour Resources, one of the companies in the group.

The White camp promptly mounted a defence operation, and both groups ended up with around 50 per cent of the equity. This led to a number of legal actions, one of which was still under way when the parties finally hammered out an agreement. All of the legal actions are to be discontinued.

Endeavour has agreed to sell its 42m shares in White, representing 41 per cent, for \$18.75 a share, a total of almost \$79m. Endeavour acquired its holding for an average price of \$11.19 a share, the deal thus giving it a profit of \$33m. Some 23 per cent of the Endeavour stake was bought from Bond Corporation,

which made a profit of about \$10m on the sale. This means that the overall profit of the Bond group from the various transactions was around \$40m.

Under the terms of the final settlement, the Endeavour stake will be bought by a resident Australian individual, believed to be Mr. J. McGuigan, a solicitor and Mitsubishi's representative on the White board. The shares will ultimately be placed with long-term investors in Australia.

The funds for the purchase will be lent by associates of the White family.

Mitsubishi, which has already provided much of the finance for the White group's defensive operation, is expected to play a significant part in financing the purchase of the Endeavour stake. The Japanese company has a 40 per cent interest in White's major asset, the Ulan coal project in New South Wales.

## MIM profits almost doubled

HIGHER WORLD metal prices boosted net profits of MIM Holdings, the Queensland base-metal producer, for the year to June 30 to a record \$203.5m (150.7m).

Sales were also at record levels, rising by 55.6 per cent to \$384.6m.

Earnings came out at 57 cents a share compared with 35.9 cents, and the company is raising the total dividend for the year to 30 cents a share from 17 cents with a final 13 cents on increased capital.

MIM said yesterday that it had received higher prices for all of the minerals it produces, with silver particularly strong. Silver sales fell by 17.4 per cent to what MIM called a more normal level of 414,383 kilos, compared with 502,307 kilos in 1978-79.

The volume of copper sales rose by 13 per cent to 160,422 tonnes from 141,914 tonnes, mainly as a result of increased sales of unrefined copper and copper concentrates.

Lower production and deli-

veries of zinc during the second half cut full-year sales volume by 16.2 per cent to 85,964 tonnes from 102,546 tonnes the previous year.

Lead sales were steady at 144,746 tonnes compared with 145,258 tonnes, while the company's 40 per cent share of nickel sales from the Agnew operation reached 2,169 tonnes against just 216 tonnes last year. Iron ore sales from MIM's 20 per cent share of the Goldsworthy mine dropped by 10 per cent to 1,000 tonnes as a result of three cyclones which swept the north-west coast of Western Australia early this year.

Coal sales were down to 625,315 tonnes from 825,417 tonnes following industrial disputes.

MIM pointed out that consumption and production of refined copper were closely in balance during the year, and stocks were unchanged, while refined lead stocks rose as a result of a combination of lower con-

sumption and maintained production.

Consumption of zinc metal fell, but this was offset by a fall in output, while the growth in nickel production outstripped the increase in consumption and stock levels rose.

MIM was not prepared to make any prediction of the likely outcome for the current year.

### ANGLO REOPENS SIMMER & JACK

South Africa's Anglo American Corporation has definitely decided to go ahead with plans to re-open the long-abandoned Simmer and Jack gold mine near Johannesburg.

Anglo recently completed a study of the feasibility of exploiting the surface waste dumps and underlying gold-bearing reefs, and said yesterday that mining work will concentrate initially on the shallow Kimberley Reef. Details of a tribute agreement with Simmer and Jack are to be released shortly.

### OIL AND GAS NEWS

## Rundle twins propose nine for one scrip issue

Central Pacific Minerals and Southern Pacific Petroleum, joint owners of the huge Rundle oil-shale deposits in Queensland Australia, are proposing a scrip issue of nine shares for each share currently held in each company.

The issue will apply equally to both fully paid and partly paid stock in each company. An extraordinary general meeting is to be called to approve the issue.

In a joint statement to Australian stock exchanges the companies said that the current share prices of both CPM and SPP are substantially above the levels common to most Australian companies and that Australian stock exchange limitations on small parcel dealings has disadvantaged small Australian investors.

In order to facilitate the scrip issue reserves of each company will be revalued by \$110m to create a revaluation reserve from which the issue will be made.

The revaluation is to enable the issue to be made and does not reflect the full value of the Rundle deposits, the statement said. Reserves at Rundle are estimated at 25m barrels of oil. At present SPP's share capital comprises 17.83m fully paid 50 cents ordinary shares and 4.12m shares paid to 25 cents. CPM has 6.33m fully paid shares in issue and 1.36m shares paid to 25 cents.

In July America's Exxon Corporation signed a heads of agreement with CPM and SPP to construct a pilot-plant to produce 15,000 to 18,000 barrels of oil a day by treating 25,000 tonnes of oil-shale. The pilot-plant is expected to begin production in 1985 and operate for two to three years before a decision is made as to the optimum production method. The aim of the project is to produce 180,000 to 240,000 barrels of oil a day—the current level of Australia's crude oil imports.

Exxon will pay at least U.S.\$500m, even if the project ultimately fails to justify full-scale development, and is prepared to spend U.S.\$120m to U.S.\$160m if Rundle goes into full production.

Widespread rumours circulating in the London market, that CPM and SPP would simply organise a stock split founded in the face of a Sydney Stock Exchange regulation to the effect that shares with a nominal value of less than 20 cents would not be listed.

St. John's Newfoundland, has proved disappointing, but industry analysts say only a small part of the most promising potential pay-zone has been tested, reports Robert Gibbens from Montreal.

Ben Nevis and Hibernia are two potentially commercial east coast oil structures together believed to contain reservoirs of 2bn barrels or more.

Mobil Canada, operator for a group backing the 1-45 well, said a final test in the deeper zone of interest from 4,112 to 4,119 metres showed no oil.

Relatively small amounts of oil and gas flowed from several tests between 2,377 and 2,894 metres. Further tests are planned between 2,377 and 2,432 metres.

The participants in the well are Mobil, 56.25 per cent, Petro-Canada, 25 per cent, and Gulf Canada with 18.75 per cent.

Australia's Endeavour Resources reports that drilling of the Paroo exploratory well in ATP-232P in Queensland has commenced. The well has a scheduled target depth of 2,800 metres and drilling to this depth is expected to take around 45 days.

Australian Aquitaine, the operator, has a 30 per cent interest in Paroo, CSR has 17 per cent, Bow Valley, Endeavour, Oilmin and Target 10 per cent apiece, Cliff Oil (Australia) 5 per cent and Timor Oil and Moonie 3 per cent each.

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## Upturn at Lec Refrigeration

FROM increased turnover of £15.69m against £14.48m, profits before tax of Lec Refrigeration rose from £802,000 to £1,22m in the first six months of 1980.

The interim dividend is being raised from 1.35p to 1.485p—the total last year was 3.7p from pre-tax profits of £1.82m.

First half tax charge is £833,000 (£417,000), giving earnings per 35p share of 9.67p compared with 8.37p in the same period last year.

### comment

The first half of this year could hardly have been more difficult for domestic appliance producers with falling demand compounded by a strong pound and cut-throat foreign competition, in particular from Eastern Europe. So Lec's achievement in pushing up profits by a half and increasing margins to 7.8 per cent is a remarkable one.

Admittedly, yesterday's figures compare with an unusually poor first half in 1979 and the group has the benefit of sizeable cash balances (£634,000 in the last balance sheet). Even so, it is exceptional

in keeping plants running at full stretch and being able to increase exports from 12.7 to 23 per cent of sales — compensation for a slight loss of market share at home. The explanation lies partly in cost control — the company negotiated a modest 10 per cent wage rise last November. In addition, it launched two successful fridge freezer models at the end of last year. The past two months have been more difficult and Lec has been obliged to cut prices on some models, which will undoubtedly affect second half margins. The company could still make around £2.2m for the year which, with the shares up 2p at 78p yesterday produces a fully-taxed p/e of 4.3. This is hardly excessive, even if the 7.6 per cent yield provides little support.

### IN BRIEF

LETRASSET (graphics, leisure, Stanley Gibbons) — Results for year to April 30, 1980, and prospects for current year already reported. Shareholders' funds £27.3m (£15.50m). Loans £5.25m (£28,000) including unsecured bank loan £5m (nil). Meeting, Cafe Royal, W, September 19, at 12.15 pm.

## DEBORAH SERVICES LIMITED

The group provides a specialist scaffolding and insulation service primarily used in process plant maintenance programmes.

### "Tenth consecutive record year"

reports Arthur Britton, Chairman

- Pre-tax profits for the year to 31 March 1980 were up 24% and the dividend has been increased by 10% on the capital as enlarged by the Rights Issue.
- Greatly improved contribution from insulation division.
- Long term contracts give us confidence for the future.

Comparative figures	1980	1979
	£000	£000
Sales	21,067	13,597
Profit before taxation	1,492	1,205
Profit after taxation	1,196	493
Earnings per share	20.2p	19.4p
Dividend per share net	3.85p*	3.5p

\*On capital as increased by 1 for 4 Rights Issue in October 1979.

The Company's shares are traded on The Over-the-Counter Market. Details of this market together with copies of the full Report and Accounts are available from the Secretary, Deborah Services Limited, 10 South Parade, Wakefield, Yorkshire. Telephone: 01924-78222.



## Profit growth continues

1980-81 FIRST QUARTER RESULTS

- Pre-tax profits up 42%
- Group sales up 14%
- Record £1,061 million orders
- Earnings per share up 42%

An extract from The Plessey Company's unaudited results.

Figures in £'000's	3 months to June 30
	1980 1979
Sales	193,500 170,000
Operating profit	19,362 14,052
Profit before taxation	18,645 13,170
Earnings per share (pence)	4.92p 3.46p



## PLESSEY GROUP

Operating internationally in 130 countries

مكتبة الفتح

## REFUGE ASSURANCE COMPANY LIMITED

HALF-YEAR STATEMENT 1980

	First 6 Months 1980	First 6 Months 1979	Year 1978
ORDINARY BRANCH			
New Sums Assured	58,319	54,591	109,565
New Annuities per annum	647	424	983
New Premiums per annum	2,962	1,324	3,863
New Single Premiums	282	321	723

INDUSTRIAL BRANCH

New Sums Assured	76,025	62,685	126,945
New Premiums per annum	5,918	4,821	9,579

GENERAL BRANCH

Total Premium Income	5,942	4,870	9,588
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## REFUGE ASSURANCE COMPANY LTD

Chief Office: OXFORD ST, MANCHESTER M60 7HA

## SANDVIK AKTIEBOLAG

Notice is hereby given that copies of the Half Year Report of Sandvik Aktiebolag covering the first six months of 1980 will be available—from September 3—at the office of:

Credit Suisse First Boston Ltd.  
22 Bishopsgate  
London EC2N 4BQ



## Refuge Assurance advances

NEW SUMS assured by Refuge Assurance Company during the first six months of 1980 rose from £80.68m to £89.32m in the ordinary branch and from £62.68m to £75.03m in the industrial branch.

Ordinary branch new annuities per annum rose to £847,000 (£824,000) and new premiums per annum to £2,066m (£1,822m), but single premiums declined to £282,000 (£321,000).

Industrial branch new premiums per annum increased to £5.92m (£4.62m) and general branch total premium income to £5.04m (£4.07m).

The interim dividend is lifted from 3.4p to 3.9p—last year's total was 10.6p.

## Production cut at Ward and Goldstone

While the first quarter of the current year at Ward and Goldstone shows sales in value terms little changed from the corresponding period last year, overall production has been cut to meet lower volume demand, says Mr. Sampson Goldstone, the chairman. The group manufactures insulated wires and cables and electrical accessories.

Any optimism in the medium term requires to be qualified by caution as industry in general, currently deep in recession, will continue to be affected by the Government's efforts to control inflation, he tells members in his annual statement.

Looking to the longer term, the chairman says the group is well equipped to take advantage of an upturn in trade when the national economic climate permits.

As reported July 29, pre-tax profits for the year ended March 31, 1980 dropped to £2.61m (£3m), struck after a sharp rise in interest charge from £0.74m to £1.54m.

At the year end, shareholders' funds were ahead from £18.75m to £22.7m. Bank overdraft and acceptance credits had increased to £12.96m (£8.06m).

Meeting, Manchester, September 18, 11.30 am.

## Redland expects midterm rise but warns on year

Redland, the UK building materials company, will not be able to match last year's results unless exchange rates move substantially in its favour, chairman Mr. Colin Corness warned at yesterday's annual meeting.

Bearing in mind the conditions facing the construction industry in the major industrial economies, he said, "it would be foolish to pretend that we can avoid adverse impact on our business."

Profits in the first half would be higher than last year, mainly due to the milder winter conditions in northern Europe. Last year's second half, on the other hand, benefited from normal weather and the catching up of work suspended or delayed earlier in the year.

Mr. Corness said that efforts by governments to curb inflation were having an even more serious impact than the weather. In the UK, he commented, "we have drastic cuts in public expenditure at both central and local levels, coincident with exceptional and sustained high interest rates."

Once again, Mr. Corness said, "we witness the prospect of a government preferring to sacrifice long-term investment in the infrastructure of the country rather than facing up courageously to pruning public sector current expenditure."

In its last financial year to March 29, 1980, Redland lifted pre-tax profits from £45.2m to £57.3m on sales up from £397m to £495m. If the pound had not strengthened against most foreign currencies profits would have been some £3.5m higher.

Referring to Redland's foreign activities, Mr. Corness said the U.S. housing programme had fallen to around half the level considered appropriate to the country's needs.

In West Germany, housebuilding was forecast to be in slow decline for several years, though the housing programme had fallen to around half the level considered appropriate to the country's needs.

At other annual meetings, the chairman of Cawoods Holdings, Mr. Edward Binks, warned of a fall in profits for the first half

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are intended or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY	
Interim: Alcan Aluminium (UK), BSA, William Jacks, Scottish Northern Investment Trust.	
Final: Barker and Dobson, Grippen, Murrin and Pearce, Standard Industrial, Wagon Finance, Wiggins Construct.	
FUTURE DATES	
Babcock International	Sept. 10
Begbie	Sept. 9
Biddle	Sept. 10
Bryden International	Sept. 18
Boyd	Sept. 10
Casell	Sept. 11
Debenhams	Oct. 16
Dorland	Sept. 10
Farrar (S. W.)	Sept. 9
Hepworth Ceramic	Sept. 11
Invergordon Distillers	Sept. 4
Northern Engineering Inds.	Sept. 4
Murkin and Pearce	Sept. 10
Peninsular and O. Steam Nav.	Sept. 10
Pritchard Services	Sept. 3
Woods (H.)	Sept. 3
Finals	
Uniford	Sept. 1
Macallan-Glenlivet	Oct. 2
Staffordshire Potteries	Sept. 8

of this year. He said: "Trading conditions generally in the current financial year have become increasingly difficult and there are no signs yet of improvement."

The weather during the second half would, as always, have an important bearing on the final outcome, he added.

Mr. C. M. Brown, chairman of Vintem Group, said that negotiations with an overseas customer for the sale of reconnaissance equipment valued in excess of £1.5m had been successfully concluded, putting the order book at a record level.

But he added that the receipt of the contract had come to late to influence what would be a poor first half.

### £61m FOR BAC STOCKHOLDERS

An issue of £61.07m of 10 per cent Exchange stock, 1980, was made yesterday as compensation due in respect of the unquoted securities of British Aircraft

Corporation (Holdings). The Department of Industry announced on August 21 that compensation had been settled with the stockholders' representative.

## PSIT re-funds its banking facilities

Mr. A. R. Perry, chairman of Property Security Investment Trust, tells shareholders in his annual report that since the end of the company's financial year, further refunding of the group's banking facilities has been arranged on terms of 5 to 7 years and at more favourable rates of interest.

The group, he adds, now has adequate financial facilities both for its present development programme and for additional opportunities as they arise.

As reported on August 12, the pre-tax surplus in the year to March 31 last jumped by £508,000 to £365,000 from gross income of £4,660m (£3,74m).

Shareholders' funds are shown as £37.11m compared with £34.97m.

## CCA profits at Davy Corporation

Historical pre-tax profits of £15.94m (£26.13m) achieved by Davy Corporation, the major engineering and construction group, for the year to March 31, 1980, are reduced to £13.8m (£23.3m) on a CCA basis, the annual accounts reveal.

The CCA profit is after adjustments for cost of sales, £2.8m (£2.2m) (cancelled out by monetary working capital) depreciation, £2.5m (£2.3m), gearing, £0.4m less £0.8m interest on net borrowings.

Retained profits of £4.1m (£9.76m) on a historical basis are reduced to a CCA figure of £2.1m (£7.6m). Earnings per share on a CCA basis are stated as 9.8p against 19.6p—the historical figures are 12.5p (22.7p).

## Scottish Inv. Trust well ahead

PRE-TAX REVENUE of Scottish Investment Trust rose sharply from £3.72m to £5.10m in the nine months to July 31, 1980, but the board says the increase is unrepresentative of the position expected for the year partly because of dividend backlogs received last year.

In the year ended November 5, 1979, pre-tax revenue had increased from £4.62m to £5.94m.

Gross income for the nine months improved from £4.35m to £6.06m. Net asset value per share amounted to 153.3p against 128.2p.

Including the effect of the £10m currency swap arranged in April, the company has moved some \$10m out of the UK in the current year of which \$6m has been invested in the U.S. and \$4m in the Far East.

## Fife Forge advances mid-term

An advance from £101,940 to £201,165 in pre-tax profits is reported by the Fife Forge Company, forgemaster, engineer and steel merchant, for the half year to June 30, 1980. Turnover increased from £3.23m to £3.87m.

After tax, up from £53,000 to £104,600, profits retained amounted to £69,771, compared with £27,505.

The interim dividend is raised from 0.8p to 1p—last year's total was 3.3p from pre-tax profits of £173,000.

## Christopher Moran AGM postponed

Christopher Moran Group, the insurance broker with large Lloyd's of London interests, has postponed its annual general meeting from September 3 to October 31. Last week the company said that the accounts were still in the course of preparation.

### BIDS AND DEALS

## Hargreaves' £2m sale

Hargreaves Group's wholly-owned subsidiary is selling freehold land and the quarrying, coating and mobile plant of its Skipton Rock Quarry for £2.12m cash.

Tilecon is making the acquisition with effect from September 1 and the stocks of Skipton, one of seven quarries which Hargreaves own in the north of England, will be taken over at valuation.

During the financial year ended March 31, 1980, profits before tax contributed by Skipton Rock Quarry to Hargreaves Quarries amounted to £181,000.

Proceeds of the realisation will be applied by Hargreaves Quarries in the development of its other quarries, and in the reduction of borrowings.

### PROGRESSIVE SECURITIES

Progressive Securities Investment Trust says it has received a second approach following its announcement last week. Discussions are taking place which may result in an offer being made by this party for the share capital of Progressive.

A further announcement will be made shortly.

### JOHN HASTIE BUYS SPEEDCRANES

John Hastie of Greenock (Holdings), a member company of Vickers marine engineering division, has acquired from the liquidator of Speedcranes of Gourock the right to use the Speedcranes trade name, its patents, drawings and industrial rights. Key personnel of Speedcranes have also been employed by Hastie.

Before liquidation, Speedcranes, a privately owned company, was one of the leading manufacturers of derrick cranes in the UK and a major supplier to the marine industry. John Hastie is an internationally known manufacturer of ships' steering gear and intends to continue production of derrick cranes under the name Hastie Brown Speedcrane. It also intends to commence further product development.

### H. GOLDMAN

Mr. Ian Wasserman, a former director of the Slater Walker

group, has increased his stake in H. Goldman Group, the hardware, clocks and watches wholesaler. He now holds 254,000 shares representing 11.06 per cent of the equity.

Earlier this week it was revealed that he held a 10 per cent shareholding in Goldman.

### TIMES PUBLISHING/MARSHALL CAVENDISH

The offer by Times Publishing to acquire the whole of the share capital of Marshall Cavendish, other than the 6.05m ordinary shares it already owns, has been declared unconditional.

Acceptances have been received in respect of 12.1m shares, or approximately 85 per cent of those subject to the offer.

Times Publishing held 5.3m ordinary shares in Marshall Cavendish at July 10, 1980, and since then has purchased 550,000 through the market. The offer remains open.

Marshall Cavendish is holding an extraordinary general meeting today.

### SHARE STAKES

Crown House — W. Best, director, notifies that his wife has sold 68,000 shares and a trust, in which he has no beneficial interest, has sold 100,000. Pilkington Brothers — Lord Pilkington has disposed of 36,930 shares leaving interest 10,930 shares (6.82 per cent). Dr. L. H. A. Pilkington has disposed of 34,500 non-beneficial leaving disclosable interest 3,910 shares (2.33 per cent).

S. and W. Berisford — W. I. Hubert, director, has sold 50,000 shares at 182p, of which 45,000 beneficial and 5,000 from a charitable trust in which he has a non-beneficial interest.

Deritend Stamping Company — Britannic Assurance Company has an interest in 840,250 shares (15.93 per cent).

Estates and General Investments — C. G. Layley and D. G. Randall have acquired 58,175 shares making holding 1.66m (9.15 per cent).

Racal Electronics — Prudential Corporation holds 13.25m shares (less than 5 per cent).

Williamson Tea Holdings — The Ford Salaried Contributory Pension Fund has increased its holding to 184,500 shares (8.06 per cent).

### LONDON INVEST.

London Investment Trust states conditional contracts have been exchanged for the acquisition of 51,140 ordinary shares in Investors Savings Trust or 63.26 per cent of the ordinary shares. Together with its existing holding, LIT will own 99.58 per cent of IST and will make an offer for the outstanding ordinary shares.

IST, formerly Klerksdorp Consolidated Goldfields, is a public unquoted investment company with a portfolio comprising cash and securities currently valued at approximately £250,000. In addition, IST owns the minerals rights on land totalling 5,300 acres on farms in the Klerksdorp district of South Africa.

IST concluded an agreement on August 15 with a subsidiary of Anglo-Transvaal Consolidated Investment Company of South Africa whereby IST has granted prospecting rights, principally for gold and uranium. This agreement is for the period to December 31, 1984, and provides the prospect with an option to purchase the mineral rights for a sum of up to £1.1m. Should a mine be formed to extract minerals, IST will have the right to subscribe for up to 171 per cent of the initial working capital of such a venture, resulting in LIT having a direct interest in 6.36 per cent of the venture.

The initial consideration of £161,091 is equivalent to 14 ordinary shares of 5p each in LIT for each ordinary share of £10 in IST and will be satisfied by the issue of 715,960 ordinary in LIT. Arrangements have been made on behalf of certain of the vendors to place 483,960 of these consideration shares at 22½p per share.

In addition, the vendors are entitled to a deferred consideration equal to 63.26 per cent of the net proceeds arising from any disposal of the mineral rights. The net assets of IST for the year ended November 30, 1979, were £224,689 and losses before taxation, amounted to £11,332.



## Consolidated Plantations Berhad

### PRELIMINARY ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 30TH JUNE 1980

The Directors of Consolidated Plantations Berhad will recommend to the Shareholders at the Annual General Meeting of the Company to be held in Kuala Lumpur on 5th November 1980 the payment of a final dividend of 11.0 cents per share gross for the financial period ended 30th June 1980. Subject to approval by the Shareholders, the dividend will be paid less Malaysian income tax, on 11th November 1980 to Shareholders on the Company's Registers at the close of business on 1st October 1980. The final dividend together with the interim dividend of 7.0 cents per share gross paid on 16th April 1980 makes a total distribution for the year of 18.0 cents per share gross which compares with the total distribution for the previous year of 17.3 cents per share gross (interim 6.7 cents per share, final 10.6 cents per share).

	1980 -M\$ Million-	1979 -M\$ Million-
<b>PROFITS</b>		
TURNOVER - External	238.8	209.6
PROFIT BEFORE TAXATION	99.0	92.2
TAXATION	36.5	36.4
PROFIT AFTER TAXATION BUT BEFORE EXTRAORDINARY ITEMS	62.5	55.8
EXTRAORDINARY ITEMS	0.9	9.8
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF CONSOLIDATED PLANTATIONS BERHAD	63.4	65.6
COST OF DIVIDENDS PAID AND PROPOSED - NET	49.8	47.3
EARNINGS PER SHARE	M.cts	M.cts
DIVIDENDS PER SHARE - Net of Malaysian income tax	10.8	10.4
<b>SALES AND AVERAGE SELLING PRICES:</b>		
PALM OIL - Sales ('000 metric tons)	119	110
- Net of duty price (M\$)	1,028	975
PALM KERNEL - Sales ('000 metric tons)	25	23
- Ex-mill price (M\$)	807	768
FFB - Sales ('000 metric tons)	61	62
- Ex-estate price (M\$)	208	195
RUBBER - Sales ('000 kgs)	26,707	27,833
- Net of duty price (M\$)	2.34	1.90
COCOA - Sales ('000 kgs)	431	271
- FOB price (M\$)	5.98	6.71
<b>INCOME DERIVED FROM:</b>		
- Sales of oil palm products, rubber and cocoa	238.8	209.6
- Investments	11.7	9.1
- Other Sources	1.0	0.7
	251.5	219.4

### NOTES:

- Consolidated Plantations Berhad commenced trading on 1st January 1980.
- The results for the period comprise those of Consolidated Plantations Limited and its liquidated subsidiary companies from 1st July 1979 to the dates of their liquidation and of Consolidated Plantations Berhad from 1st January 1980 to 30th June 1980. The comparatives shown are the Consolidated Plantations Limited Group results for the year ended 30th June 1979.
- The extraordinary items relate principally to surpluses from sales of an investment and estate land.

Kuala Lumpur  
28th August 1980.

By Order of the Board  
WONG TET ONN  
Secretary



### HIGHLIGHTS OF

### PRELIMINARY ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 30TH JUNE 1980

## Sime Darby Berhad

...our fifth consecutive year of record profits, which have now more than doubled over the past four years

### Pre-Tax Profits

—up 22% to M\$266 million

### Dividends —an increase of 15%

### Earnings per Share —rose by 32% to 20.97 cents

### SUMMARY OF CONSOLIDATED RESULTS (Subject to final audit)

1980 £ Million	1980 M\$ Million	1979 M\$ Million
53.3	266.3	218.9
23.4	116.7	84.1
pence	cents	cents
1.56	7.80	6.76
4.19	20.97	15.94
29.00	146.00	131.00

### NOTES:

- The proposed final dividend of 13.00 cents per share will be paid, less Malaysian income tax, on 28th November 1980.
- The 1979 comparative figures per share have been adjusted for the effect of the 1 for 3 bonus issue made in April 1980.
- The results do not include the profits on the sales, after the year end, of the Group's investments in The Amoy Canning Corporation (Hong Kong) Ltd and Highlands and Lowlands Berhad.

Kuala Lumpur,  
28th August 1980

By Order of the Board  
FRED C. WHITING  
Secretary



## CONTRACTS

### Wheels for Nigerian railway

The **BRITISH STEEL CORPORATION** has won a contract worth nearly £3m to supply railway wheel sets for the Nigerian Railway Corporation. Work on this order, which is for wheels and axles together, will go to the wheel forge, machining and assembly departments at BSC's Trafford Park Works in Manchester, and to the railway axle manufacturing plant at Ickles Works in Rotherham. Delivery should begin early next year and will continue over 10 months.

British and overseas equipment orders worth some £1.2m have been won by **BABCOCK JENKINS**, Retford, a subsidiary of Babcock International. The biggest contract, worth some £550,000, was placed by Civil and Marine, Greenhithe, for two conveying systems. The first is for a land conveying system to bring gravel to a stocking out area; the second is for purpose-built ship conveyors for the dredger which will collect the sand and gravel from the North Sea. The complex is to be operational by October this year.

Among recent orders for **CARRIER-ROSE ENGINEERING COMPANY**, is one for the Nigerian Newspaper Manufacturing Company, Lagos, Nigeria, for

the supply of ventilation equipment for the pulp and paper mill complex at Oku Iboku. The contract, worth over £470,000, calls for a centralised air conditioning system for the administrative offices, together with ventilation plant for stock preparation, pulping areas and turbine hall.

The industrial finishing division of **CARRIER ENGINEERING** has secured a contract worth £550,000 to supply paint plant to J. C. Bamford Excavators. The plant will be for the complete "B" machines range which includes crawler excavators, articulated loaders and telescopic handlers. With production start-up planned for the end of 1980, Carrier will supply a 10 metres long flatting booth, a steam cleaning and degreasing facility, a Carrier-patented hydro-spray painting booth equipped with Hydropac waste paint control system and a moisture dry-off oven.

**METALLURGICAL ENGINEERS** London, has received a contract worth almost £250,000 from McDermott Engineering for the design and supply of two hot oil heaters from the Amoco N.W. Hutton drilling and production platform.

Nelson Computer Services of Rawenstall, Lancs., has placed a £120,000 order with **INTERNATIONAL COMPUTERS** for 25 of ICL's 1500 series minicomputers. The order includes five 1505-44 disc-based minicomputers and 21 of the other models in the 1500 series.

The U.S. Air Force has awarded a contract worth more than \$7m (£2.9m) to **GOODYEAR AEROSPACE CORPORATION** to build radar ground equipment capable of producing tactical target reports 10 times faster than current systems. The radar system is scheduled for delivery to the U.S. Air Force in Germany in 1981.

**AVDEL**, Welwyn Garden City, part of the Newman Industries Group, has secured a £1.5m order from the USSR for the supply of machine tools, plant and equipment for the manufacture of the "Avdel self-plugging rivet". It includes production tooling for an estimated 5 years programme as well as 650 rivet installation and trimming tools, together with spare parts. The fastening system will be used in the construction of metal faced timber portable homes being developed and built by the Ministry of Forestry.

Orders worth £1.5m have been awarded to **HINDLE/COCKBURN**, part of Lake and Elliot's valve division. Matthew Hall has ordered industrial valves worth £275,000 for BP's Magnus project and other orders are in hand for BP Kinneil (£220,000); Ras Lanuf, Libya (£200,000); the Italian State Electricity Board (£160,000); ICI (£160,000); BP Grange-mouth (£120,000); and Snamprogetti, £137,000 for Milford Haven pipeline valves. Orders include £120,000 for Canada, and £105,000 of manoeuvring valves for the Indian Navy.

Further orders for tropospheric scatter equipment have been received by **MARCONI COMMUNICATION SYSTEMS**, Chelmsford, a GEC-Marconi Electronics company. Placed by British Telecom and Phillips Petroleum, the orders, worth over £1m in all, are to link the Phillips Petroleum Maunabo platform in the North Sea with the British Telecom land station at Mormond Hill, Aberdeenshire.

**LINK ELECTRONICS** has won an order worth almost £500,000 from the Independent Broadcasting Authority to supply equipment to be used in the introduction of the fourth television channel. The order is for transmitter programme input equipment.

Orders placed with **SIGMUND PULSOMETER PUMPS**, a member of the SP Group, for pumps to be installed at the Nigg Bay Oil Terminal in Scotland have totalled just under £400,000. Three pumps are to be supplied for handling treated effluent liquid brine saturated with air at atmospheric pressure. Two 4-stage vertical units and two horizontal split-case pumps are to provide sea water for fire protection duties.

### £2m bottling plant

A £2m contract has been awarded to **SEITZ ENGINEERING (GB)**, Weybridge, by Bass Ireland for a new combined beer and soft drinks bottling plant at Belfast. The modernisation will replace the existing bottling lines by one complete line capable of handling the entire range of products beer, soft drinks and fruit juices. To start production in June 1981, the new facility will be capable of producing 30,000 bottles per hour.

Wakefield Metropolitan District Council has ordered its fourth Reality mini-computer/management information system from **COMPUTER MACHINERY COMPANY**. Worth £272,000 it includes 26 processing terminals, 21 "hard copy" printing terminals and a 600 lpm printer.

**EYE TVT**, the broadcast company of Phillips, has won a £250,000 transmitter contract from the Zambian Broadcasting Services for two radio and two television transmitters. The contract includes the installation of the television transmitters and a full range of test and monitoring auxiliary equipment. The two television transmitters will be used to extend the ZBS coverage to Chipata and Kasama.

**MORIG INTERNATIONAL**, Tonbridge, a design group formed in June to extend the activities in the UK of the Finnish company, Partek, have landed an order, worth £250,000 from Sulzer Bros., Winterthur, Switzerland, for eight integrated tube and seal oil units, used in conjunction with high pressure

brine injection pumps, destined for the Saudi Arabian oil fields. The John Smith, Kitchley works of **ADAMSON BUTTERLEY** has won a £185,000 contract to manufacture an overhead travelling crane for Tunnel Cement of Mold in Clwyd, North Wales. The 12 tonne capacity grabbing crane is a replacement model to handle limestone, sand, gypsum, coal and shale used by Tunnel to manufacture cement clinker.

The London and Manchester Assurance company has ordered for installation at its headquarters in Exeter communications controllers, printers and over one hundred 3250 visual display screens valued at £185,000 from **ITT BUSINESS SYSTEMS**.

**PETER BROTHERHOOD**, Peterborough, has been awarded an order worth over £150,000 by Taylor Woodrow for process machinery for a plant in the north of England.

**H. ERBEN** of Hadleigh has been appointed main contractor for a new 12,000 bph bottling line by Martini and Rossi of Southampton. Martini's new project is an upgrading of its line 4, needed to provide additional production facilities for fast-growing vermouth sales. From Erben's own stable, come a Perrier 20 head air blower, a Kettner Kottiround wraparound carton packer and an Otto Sick bottle conveyor system. Included in the line are also a Stork 30 head vacuum filler, a Bertolotto 12 head pillpressor, a capper (rented from Vicosse) and a Jagenberg Solar 30 labeller.

### BANK RETURN

	Wednesday August 27 1980	Increase (+) or Decrease (-) for week
<b>BANKING DEPARTMENT</b>		
Liabilities		
Capital	14,553,000	+
Public Deposits	35,428,292	+ 5,418,123
Bankers' Deposits	688,753,305	+ 10,854,389
Reserve & other Accounts	617,677,195	- 27,486,260
	1,356,842,390	- 13,828,558
ASSETS		
Government Securities	733,594,064	+ 180,755,000
Advances & Other Accounts	29,631,905	+ 229,321,175
Premises Equipment & Other Secs.	365,533,200	+ 81,714,755
Notes	8,694,340	- 15,947,362
Coin	284,981	- 23,756
	1,356,842,390	- 13,828,558

### ISSUE DEPARTMENT

Liabilities		
Notes Issued	10,350,000,000	+ 50,000,000
In Banking Department	10,350,000,000	+ 50,000,000
	8,694,340	- 15,947,362
ASSETS		
Government Debt	11,015,100	-
Other Government Securities	8,485,766,568	+ 35,594,892
Other Securities	1,855,818,532	+ 14,645,108
	10,350,000,000	+ 50,000,000

### BASE LENDING RATES

A.B.N. Bank	16 %	Hambros Bank	16 %
Allied Irish Bank	16 %	Hill Samuel	16 %
American Express Bk.	16 %	C. Hoare & Co.	16 %
Amro Bank	16 %	Hongkong & Shanghai	16 %
Henry Ansbacher	16 %	Industrial Bk. of Scot.	16 %
A P Bank Ltd.	16 %	Keyser Ullmann	16 %
Arbuthnot Latham	16 %	Knowles & Co. Ltd.	16 %
Associates Cap. Corp.	16 %	Langris Trust Ltd.	16 %
Banco de Bilbao	16 %	Lloyds Bank	16 %
Bank of Credit & Comm.	16 %	Edvard Hanson & Co.	16 %
Bank of Cyprus	16 %	Midland Bank	16 %
Bank of N.S.W.	16 %	Samuel Montagu	16 %
Banque Belge	16 %	Morgan Grenfell	16 %
Banque du Rhone et de la Tamise S.A.	16 %	National Westminster	16 %
Barclays Bank	16 %	Norwich General Trust	16 %
Bremer Holdings Ltd.	16 %	P. S. Refson & Co.	16 %
Brit. Bank of Mid. East	16 %	Rossminster	16 %
Brynmor Shipley	16 %	Ryl. Bk. Canada (Ldn.)	16 %
Canada Perm. Trust	16 %	Schlesinger Limited	16 %
Cayzer Ltd.	16 %	E. S. Schwab	16 %
Cedar Holdings	16 %	Security Trust Co. Ltd.	16 %
Charterhouse Japhet	16 %	Standard Chartered	16 %
Choulartons	16 %	Trade Dev. Bank	16 %
C. E. Coates	16 %	Trustee Savings Bank	16 %
Consolidated Credits	16 %	Twentieth Century Bk.	16 %
Co-operative Bank	16 %	United Bank of Kuwait	16 %
Corinthian Secs.	16 %	Whiteaway Laidlaw	16 %
The Cyprus Popular Bk.	16 %	Williams & Glyn's	16 %
Duncan Lawrie	16 %	Wintrust Secs. Ltd.	16 %
Eagel Trust	16 %	Yorkshire Bank	16 %
E. T. Trust Limited	16 %		
First Nat. Fin. Corp.	16 %		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	16 %		
Anthony Gibbs	16 %		
Greyhound Guaranty	16 %		
Grindlays Bank	16 %		
Guinness Mahon	16 %		

## Anglo American Industrial Corporation Limited

(Incorporated in the Republic of South Africa)

### INTERIM REPORT AND INTERIM DIVIDEND

The following are the unaudited results of the corporation and its subsidiary companies for the six months ended June 30 1980, together with the comparative figures for the six months ended June 30 1979 and the year ended December 31 1979. These should be read in conjunction with the notes below:

	Six months ended	Six months ended	Year ended
	30.6.80	30.6.79	31.12.79
	R000's	R000's	R000's
Group profit before taxation (Note 3)	113,905	64,204	150,043
Deduct: Taxation and deferred taxation	41,676	21,719	50,736
Group profit after taxation	72,227	42,485	99,307
Less: Profit attributable to minority interests in subsidiary companies	17,340	5,628	13,777
Group profit attributable to shareholders before non-trading items (Note 5)	54,887	36,857	85,530
Cost of interim dividend No. 33 of 42.5 cents per share	11,460	8,730	
Number of shares in issue	26,964,547	26,861,947	26,964,547
Earnings per share cents	203.6	137.2	317.2
Dividends per share cents	42.5	32.5	105.0

- NOTES:
- The arrangements whereby a wholly-owned subsidiary of the corporation, Scaw Metals Limited, acquired joint control of Haggie Limited (Haggie) and a 25 per cent effective interest at a cost of R50.5 million were finalised in May 1980 and took effect from January 1 1980. The Amic group has also acquired with effect from March 1 1980 an 80 per cent equity interest in Control Logic (Proprietary) Limited (Conlog) at a cost of approximately R6.7 million. Accordingly, the group's results for the six months ended June 30 1980 include the attributable profits of Haggie and Conlog.
  - The group's operating subsidiaries and companies in which the group has major investments have reported substantially increased profits for the six months ended June 30 1980. It is anticipated that the group results for the second half of 1980 will be similar to those reported for the six months to June 30 1980.
  - The results of certain foreign subsidiaries have not been consolidated in the respective group results of two wholly-owned subsidiaries of the corporation.
  - During the period July 1 1979 to December 31 1979 a further 102,600 ordinary shares were allotted and issued in terms of the corporation's share incentive scheme, thereby increasing the number of ordinary shares in issue from 26,861,947 at June 30 1979 to 26,964,547 at December 31 1979.
  - Non-trading items

The group profit excludes the following:

	Six months ended	Six months ended	Year ended
	30.6.80	30.6.79	31.12.79
	R000's	R000's	R000's
Amount written off goodwill	—	—	(3,350)
Surplus on disposals of land and buildings	—	1,936	2,144
Surplus on realisation of investments	1,113	—	99
Other items (net)	(969)	218	(1,000)
	144	(1,460)	(2,125)

6. Particulars of the group's listed investments are as follows:

	At	At	At
	30.6.80	30.6.79	31.12.79
	R000's	R000's	R000's
Market value	184,984	105,377	138,834
Book cost	44,479	47,433	47,433
Appreciation	140,505	57,944	91,401

7. Group commitments for capital expenditure at June 30 1980 amounted to R232,284,000 (1979: R35,909,000).

For and on behalf of the board  
G. W. H. Rely | Directors  
W. G. Boustred

### Interim Dividend No. 33

Interim dividend No. 33 of 42.5 cents a share (1979: 32.5 cents), for the year ending December 31 1980 has been declared payable to shareholders registered in the books of the corporation at the close of business on September 26 1980.

The share transfer registers and registers of members will be closed from September 27 to October 9 1980, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about October 23 1980. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on October 14 1980 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency provided that any such request is received at the offices of the corporation's transfer secretaries in Johannesburg or the United Kingdom on or before September 26 1980.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the corporation and also at the offices of the corporation's transfer secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001 and Charter Consolidated Limited, P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

The effective rate of non-resident shareholders' tax is 15 per cent.

By order of the board  
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

per D. M. Davidson  
Divisional Secretary

London Office:  
40 Holborn Viaduct  
London EC1P 1AJ  
August 29 1980

Registered Office:  
44 Main Street  
Johannesburg 2001

### NOTICE OF MEETING

To the Holders of

### Irel Finance International N.V.

9 3/4 % Guaranteed Debentures due 1988

9 3/4 % Guaranteed Debentures due 1990

10 1/2 % Guaranteed Debentures due 1993

NOTICE IS HEREBY GIVEN, in connection with the above-mentioned Debentures issued under Indentures dated as of April 1, 1978, October 1, 1978 and May 1, 1979, respectively, with Irel Finance International N.V. as Issuer and Irel Corporation as Guarantor, that J. Henry Schroder Bank & Trust Company as Successor Indenture Trustee has called a meeting of Holders of the above-mentioned Debentures for September 9, 1980 at 10 a.m. at The Tower Hotel, St. Katherine's Way, London E.1, England, and that the agenda of such meeting will consist of matters relating to the current financial circumstances of Irel Corporation and its efforts in the restructuring of its debt as set forth in a press release issued by Irel Corporation on August 22, 1980. An officer of J. Henry Schroder Bank & Trust Company and its counsel will be present at the meeting, as well as an officer of Irel, its counsel and a representative of Goldman, Sachs & Co., its financial advisor.

Holders who wish to obtain a copy of the aforementioned press release may contact J. Henry Schroder Bank & Trust Company by mail or telephone, attention: George R. Sievers, First Vice President, J. Henry Schroder Bank & Trust Company, One State Street, New York, New York 10015—(212) 269-6500.

J. HENRY SCHRODER BANK & TRUST COMPANY  
as Successor Indenture Trustee

### Cologne has optimum transport connections:

E.g. 995 passenger trains daily, 180 of which are international (16 TEE trains, 48 intercity trains). 10 motorways connect Cologne to Europe.

32 goods stations, including one of the largest container stations in Germany; 6 harbours; an international drive-in airport, second in Germany for goods traffic.

Of the 58 large cities in the Federal Republic 24 are within a radius of 80 km from Cologne.

### More reliable and more economical energy for Cologne.

55 thousand million tons of brown coal are deposited before the gates of Cologne. The city's natural gas and oil supply is directly connected to the large pipelines.

### Cologne has an unusually manifold and healthy economic structure.

Centre of industry, banking and insurance. Location of 40,000 industrial

establishments. Trade fair centre: 16 international trade fairs and exhibitions. Broadcasting centre: 4 broadcasting companies.

Cologne is also a shopping centre for 4 million people: 8,430 retail shops.

### Cologne has a rich manpower potential

Nearly all professions are represented. At the moment approximately 32,000 industrial training places and almost 44,000 students.

### And - Cologne lays high value on recreation.

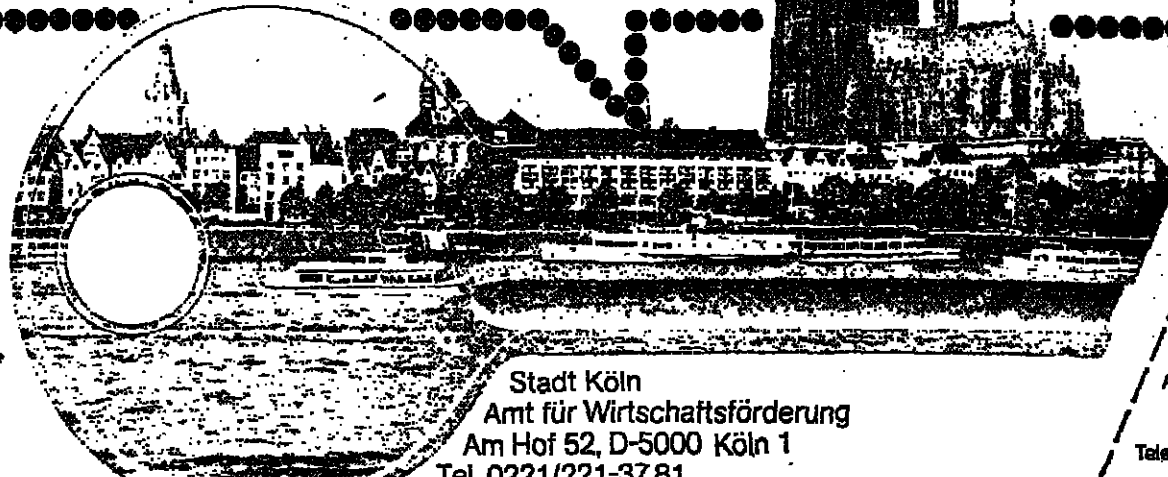
Culture is emphasized: e.g. 18 museums and 12 theatres. Sports facilities, extensive public parks and gardens as well as nearby recreation areas with expansive woods and lakes.

### Cologne offers developed, easily accessible property.

In 1979, alone through the Office for Promotion of Trade and Industry, 356,000 sq. metres of industrial and commercial areas was procured for 99 companies. That is the best proof of the attractiveness of Cologne's position.

### Secure the advantages of Cologne's position for you too

# Key position Cologne



Stadt Köln  
Amt für Wirtschaftsförderung  
Am Hof 52, D-5000 Köln 1  
Tel. 0221/221-3781  
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 BANQUE INTERNATIONALE A LUXEMBOURG S.A.  
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Agent

LLOYDS BANK INTERNATIONAL LIMITED



A member of the Lloyds Bank Group

June 1980

August 6, 1980 This announcement appears as a matter of record only



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 FOR RECONSTRUCTION  
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 Girozentrale Oldenburg-Bremen

Landesbank Rheinland-Pfalz  
 — Girozentrale —

JOINT COMPANY ANNOUNCEMENT



Johannesburg Consolidated  
 Investment Company, Limited

Rustenburg Platinum  
 Holdings Limited

(Both incorporated in the Republic of South Africa)

Sir Albert Robinson, Chairman of Johannesburg Consolidated Investment Company, Limited and Rustenburg Platinum Holdings Limited, has expressed the wish to retire as Chairman of these companies on the 31st December 1980. These Boards have accepted his resignations with regret.

Sir Albert has agreed to remain a Director of Johannesburg Consolidated Investment Company, Limited.

Mr. G. H. Waddell, who is Deputy Chairman of Johannesburg Consolidated Investment Company, Limited and Rustenburg Platinum Holdings Limited, has accepted an invitation from these Boards to succeed Sir Albert as Chairman on the 1st January 1981. He will also succeed Sir Albert as Chairman of Consolidated Metallurgical Industries Limited.

Sir Albert, who is a Director of Anglo American Corporation of S.A. Limited, has accepted an invitation to resume his seat on the executive committee of that company from 1st January 1981. He will continue as Chairman of Australian Anglo American Limited, and as a member of the Board of Anglo American Zimbabwe Limited and its associated companies.

Johannesburg.  
 27th August 1980.

مكتبة النجف

Companies and Markets

## INTL. COMPANIES &amp; FINANCE

## AIR PORTUGAL

## The long haul route to recovery

BY JIMMY BURNS IN LISBON

FEW PORTUGUESE companies can have experienced such recent mixed fortunes as Air Portugal. Portugal's State-owned national airline. Last summer the company was looking forward to a bright future. Today its financial plight is shaking the confidence of a Government heading towards an autumn general election.

It was last summer that TAP (Transportes Aereos Portugueses) changed its name, and its colours, to Air Portugal. The airline's aircraft were spruced up with bold new colours, cabin and ground staff were presented with new uniforms and the word punctuality was firmly locked into the official vocabulary.

The facelift was planned alongside a financial recovery scheme aimed at putting the airline into the black by 1985. At the same time Air Portugal's management committed itself to an ambitious expansion programme and initiated negotiations for the purchase of 16 wide-body aircraft to bolster its international fleet.

After years of being submerged in virtual obscurity, Air Portugal seemed poised to take its place in the highly competitive field of international travel.

Yet today Air Portugal finds itself in the most critical finan-

cial situation of its 38 years of existence with the bold plans of yesterday largely relegated. The financial recovery scheme is being reassessed, the expansion programme has been shelved, and the company as a whole finds itself in a straightjacket of Government intervention.

Last month the Government took over direct responsibility for the airline, declaring it a company in "economic difficulties." Under Portuguese law this gives the Government, through the intermediary role of management, exceptional powers such as a freeze on salaries and an increase in working hours without compensation.

Air Portugal's current difficulties stem most directly from last month's crippling three week pilots' strike. This cost the company an estimated Es 1.4bn (\$28m) in lost revenue at a time when losses from operations were mounting anyway. In the first three months of this year the company lost Es 1.2bn compared with a deficit of Es 2.3bn for 1979 as a whole.

In common with other world airlines, Air Portugal's poor performance has its roots in the oil crisis of 1973, the hike in

the price of fuel and the recession in air travel which followed. But in Air Portugal's case the impact of all this was more dramatic as the world recession coincided with Portugal's own political and economic upheavals after the revolution of 1974.

In 1974 one of the airline's most profitable sources of revenue, travel to and from Portugal's African colonies, accounted for 45 per cent of Air Portugal's total traffic. But with decolonisation in 1976 the African link was practically severed, leaving the company ill-equipped to diversify into new markets. On the domestic front the first years of revolutionary turmoil and nationalisation brought along wage increases, an inflated labour force and increasingly poor industrial relations.

Successive governments, meanwhile, refused to take the politically dangerous step of raising domestic travel prices, to meet the increased costs of fuel. The company's troubles were not helped by political interference in management affairs, which was reflected in seven board changes over the succeeding six years.

Sr. Jose Viana Baptista, Portugal's Minister of Trans-

port has justified the latest Government intervention in Air Portugal's affairs on the grounds of "exceptional circumstances." According to Sr. Baptista, the accumulated losses of the airline after last month's strike meant that Air Portugal was facing bankruptcy.

However, it appears that the Government has now backed away from its earlier threat to close down the company: to lay off 10,000 workers in one of the few Portuguese companies boasting an international image would have almost certainly cost the ruling coalition party votes in October's general election.

According to Sr. Baptista the Government is preparing a new financial recovery scheme which should allow the airline "to be back on its feet" by the end of the year. In view of the losses incurred as a result of the pilots' strike projections for the next five years are being revised. However, the general principles of the new scheme will be similar to the original in that the Government will accept financial responsibility for the airline.

As a first step the banking system is to be told to facilitate the conversion of Air

Portugal's short-term debt into long-term debt: it was recently revealed that the Airline owed Petrogal, the national oil company, some Es 5bn, the equivalent to about 18 months' fuel supply.

The Government is also preparing a major reassessment of Air Portugal's present markets. Sr. Baptista expects to rationalise the company's transatlantic operation. And major changes are also expected on the domestic front. The price of mainland domestic flights will probably be increased.

The labour pool created by these changes is expected to be absorbed by new routes, taking in the Gulf, Latin America and parts of Africa.

Clearly, though, the Government will need to look beyond its immediate electoral interests if a more lasting remedy for Air Portugal is to be found.

With the latest Government intervention Sr. Baptista is hoping to put Air Portugal's finances on a more sound footing and avoid future demands for State aid. The one message that the present Portuguese Government has tried to drive home is that the State is not there to back losers.

## Dull start to year by W. German engineer

By Kevin Done in Frankfurt

MANNESSMANN, the West German steel and engineering group, which is deeply embroiled in an argument with the trades unions over worker co-determination, has also had little joy on the business front in the first six months of the year.

Turnover in the first half of 1980 moved ahead only slowly by 3 per cent to DM 3,580m and the group achieved no improvement of last year's profit level in the first six months.

It takes some comfort, however, from the fact that its machinery building and process plant divisions have not yet been hit by the slow-down in the West German market and the gathering recession overseas.

Mannesmann's pipe manufacturing operations managed to enlarge its order books, but the new work is still being taken at too-low a price to make any impact on group profitability.

Mannesmann said yesterday in an interim report to shareholders that the main impetus for increased sales this year has come from the domestic market. Both direct exports and exports to Mannesmann foreign subsidiaries had fallen in the first six months.

Steel pipe production — Mannesmann is hoping to gain the chief contract for the manufacture of the USSR's next major natural gas pipeline to Western Europe — fell by no less than 17 per cent in West Germany, because of high stock levels of large diameter pipes. Its foreign-based pipe production increased substantially, however, by 21 per cent.

## Manufrance ultimatum to Government

By David White in Paris

THE BOARD of Manufrance, the ailing retail and manufacturing group, has issued an ultimatum to the Government warning that the company will have to file for bankruptcy if promised state funds are not forthcoming by September 8.

After a meeting in Paris, Manufrance directors said that the inter-ministerial committee which would channel the FF 150m (\$30m) aid offered by the Government had reacted favourably to the latest version of their recovery programme.

But they were insistent that they would not make new alterations to the plan and, above all, would not envisage extra redundancies.

It was over the number of redundancies that the discussions with the state earlier broke down. The recovery plan, which splits up the retail and production branches and drops almost the whole of Manufrance's network of shops, involves shedding about 400 jobs. Unions and the Communist-dominated local government of Saint-Etienne have made clear they will not stand for additional cuts.

The Government's offer was made on condition that a new management team was set up, that shareholders put up more funds and that a realistic recovery programme was presented.

Manufrance's main shareholder, the Machi insurance group, has withdrawn both from the board and from further financial participation in the rescue bid, stating that it does not intend to carry responsibility.

## Electrolux lifts first-half earnings

BY WESTERLY CHRISTNER IN STOCKHOLM

DESPITE the May labour conflict in Sweden, Electrolux, the household appliances group, increased its pre-tax result by 14 per cent to SKr 501m (\$120m) for the first half of 1980.

Consolidated sales amounted to SKr 8,140m, a rise of 20.6 per cent. Excluding acquisitions, the increase amounted to 12 per cent. Sales abroad accounted for 76.5 per cent of total turnover, against 75.3 per cent.

During the second half it is expected that earnings will increase at a slower pace as a result of weakened demand, particularly for household products in the EEC and the U.S.

However, the forecast made in May of 10 per cent growth in pre-tax profits for 1980 as a

whole is expected to remain valid. Last year Electrolux earned SKr 915m before tax.

Financial charges during the January-June period amounted to SKr 267m compared with SKr 148m. The rise was caused by higher interest rates and acquisitions, the most important of which has been the purchase of Granges, the Swedish metals and engineering group.

Group operating profit after depreciation for the six months totalled SKr 768m, a 31 per cent increase. Investments in property, plant and equipment during the period rose by SKr 134m to SKr 442m.

AGA, the industrial gas and heat engineering group, has reported a 35 per cent increase in pre-tax profit to SKr 182m

(\$38.7m) in the first half of 1980 and expects to reach SKr 350m-375m overall, writes William Dullforce. This would equal the 20 per cent improvement forecast at the general meeting in May.

First-half group sales advanced by 19 per cent to SKr 2,160m (\$513m) after the adjustment of the 1979 figures for the sale of AGA's radiator business to Stelrad, a subsidiary of Metal Box of the UK.

During the first six months AGA's smaller industrial operations were grouped into a separate legal unit named Pharos. The board now proposes to make a rights issue to shareholders in the autumn corresponding to 40 per cent of the capital in Pharos. At the

same time, it will seek a listing for Pharos.

Sales by AGA's gas division climbed by 17 per cent to SKr 1,150m during the half-year and gave an operating profit of SKr 179m, ahead by SKr 46m.

Frigoscandia, the refrigerated transport division, showed an operating profit down by SKr 12m to SKr 8m despite a 15 per cent growth in turnover to SKr 447m. But the management expects operating profits for the year as a whole to come close to last year's SKr 73m.

In the heat engineering division, sales advanced by 19 per cent to SKr 293m and the operating profit to SKr 16m from SKr 10m. The division is expected to double operating income to SKr 38m this year.

## Dutch insurance group increases net profit

BY OUR FINANCIAL STAFF

AMEV, the second largest insurance group in the Netherlands, reports a 14 per cent rise in net profits to Fl 54.4m (\$27.7m) for the first half of 1980 and reaffirms its forecast of growth of more than a tenth for the year as a whole.

Total income has moved up to Fl 1.4bn from Fl 1.21bn, and the company is maintaining an interim dividend of Fl 2.40 a share on increased capital. Net profits in 1979 totalled Fl 115.1m.

The half year results suggest that the company has experienced slacker trading conditions in the second quarter. After the opening three months of 1980, net earnings were running some 19 per cent ahead at Fl 24.7m.

Amey is largely a life company with premium income from life assurance representing

around 60 per cent of total revenue.

Shipping group, Van Ommereen, has more than doubled net profits for the first half of 1980 and plans to pay a higher interim dividend.

Helped by extraordinary gains, net profits rose to Fl 48.3m (\$24.3m) from Fl 18.4m, lifting earnings at the per share level to Fl 4.71 from Fl 1.96 in the opening half of 1979.

The interim dividend is effectively going up from Fl 0.60 a share to Fl 1.1 on increased capital.

Operating profits rose to Fl 74.2m from Fl 37.8m and extraordinary gains of Fl 13.3m compared with losses in 1979 of Fl 1.6m.

The company explained yesterday that the upturn in profits reflected continued favourable conditions on dry cargo runs.

## Government commissioner expected for Indesit

BY RUPERT CORNWELL IN ROME

A GOVERNMENT-appointed commissioner is expected to be sent in to run the financially troubled Indesit domestic appliances group, Italy's second largest in the sector after Zanussi.

This seemed the most likely outcome of a board meeting yesterday to decide on its future. Indesit has debts of around L1,500m (\$73m) to subcontractors and suppliers.

Further elements in the salvage are likely to be a write-down of the group's L200m capital, and the effective withdrawal of Sig Armando Campioni, Indesit's founder and largest single shareholder with 60 per cent of its equity.

The plight of Indesit, and the threat to the jobs of its 12,000 workforce at plants

clustered around Turin in the north and Caserta near Naples in the south, has been one of the most acute industrial problems facing the Government.

The urgency of the situation stems from the bankruptcy proceedings brought by three unpaid suppliers, due to be held in four weeks time. The appointment of a commissioner is seen as the only practicable means of preventing the winding up order, which would normally be the consequence of the bankruptcy suit.

The Indesit threat has been particularly keenly felt in Turin, which in any case faces a rough autumn if the widespread predictions of a slump in the car market and consequent layoffs at Fiat, the city's largest employer, are borne out.

All of these securities having been sold, this advertisement appears as a matter of record only.

\$100,000,000

## First International Bancshares, Inc.

7 3/4 % Convertible Subordinated Debentures due 2005

The Debentures are convertible at the option of the holder thereof, unless previously redeemed, into Common Stock of First International at \$51.50 per share of Common Stock, subject to adjustment under certain circumstances.

Goldman, Sachs &amp; Co.

The First Boston Corporation

Merrill Lynch White Weld Capital Markets Group  
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Salomon Brothers

Morgan Stanley &amp; Co.

Bache Halsey Stuart Shields

Bear, Stearns &amp; Co.

Blyth Eastman Paine Webber

Dillon, Read &amp; Co. Inc.

Donaldson, Lufkin &amp; Jenrette

Drexel Burnham Lambert

Keefe, Bruyette &amp; Woods, Inc.

Lazard Freres &amp; Co.

L. F. Rothschild, Unterberg, Towbin

M. A. Schapiro &amp; Co., Inc.

Shearson Loeb Rhoades Inc.

Warburg Paribas Becker

Wertheim &amp; Co., Inc.

Rauscher Pierce Refsnes, Inc.

A. G. Becker

August, 1980



SIME DARBY

## Earnings outpace plantation gains

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY BERHAD, Malaysia's biggest company, raised its pre-tax profit by 22 per cent to 366m ringgit (U.S.\$125m) in the year to June 30, on turnover increased by 28 per cent to 2.32bn ringgit (U.S.\$1.1bn). Profit after tax was 155.6m ringgit, up 28 per cent.

Sime's plantation division has made a relatively small contribution to the group profits, as a result of poorer commodity prices.

However, this slowdown in the plantation sector was offset by the buoyant performance in its tractors division, and its Asian and Pacific Basin division.

Earnings from plantations grew by 8.6 per cent to 145m ringgit, while those of the tractors division rose by 34 per cent to 80m ringgit, and the Asian and Pacific Basin divisions by 228 per cent to 19.6m ringgit, out of which 6m ringgit came from the sale of the Delta House building in Singapore.

In percentage terms, contribu-

tions from plantations dropped to 54.4 per cent of overall group profits before tax, from 61 per cent in 1979, while earnings from tractors rose to 30 per cent from 27 per cent, and the Asian and Pacific Basin to 7.3 per cent from 3 per cent.

A good performance was also shown in the group's Hong Kong operations with earnings up 20 per cent to 29.3m ringgit, while the Western division swung back into the black, with a small profit of 400,000 ringgit.

Sime's palm oil refining operations doubled their volume of output, but margins were squeezed by rising costs, while the group's interests in India (represented by Shaw Wallace) suffered an 8 per cent decline in profits.

A final dividend of 8.5 Malaysian cents is declared, making a total of 13 cents for the year, a 15 per cent increase over 1979.

Sime has also released the results of its two major sub-

sidaries—Consolidated Plantations and Tractors Malaysia Berhad.

Pre-tax profit of Consolidated Plantations rose by 7.3 per cent to 99m ringgit, on a turnover up 14 per cent to 238m ringgit, with profit margins being eroded by higher costs, particularly labour and fertilisers. After-tax earnings were 3.6 per cent lower, at 63.4m ringgit, reflecting a large non-recurring surplus from extraordinary items in the previous year.

The sale of palm oil and palm kernel rose by about 8 per cent to 119,000 tonnes and 25,000 tonnes respectively, while prices obtained for both products were 5 per cent better.

Rubber sales were down about 4 per cent to 28.7m kilograms, but this was more than offset by a 23 per cent increase in price, to 2.54 ringgit per kilogram.

Cocoa sales, on the other hand, rose sharply, by 60 per cent to 431,000 kilograms,

while the price fell 13 per cent to 5.96 ringgit per kilogram.

Consolidated Plantations is paying a final dividend of 11 Malaysian cents, making 18 cents for the year compared with 17.3 cents in 1979.

Tractors Malaysia reported a rise of 34 per cent in pre-tax earnings, to nearly 80m ringgit, with turnover rising 44 per cent to 634m ringgit. After-tax profit was 41m ringgit.

Tractors, with its Caterpillar distributorship, continued to dominate the heavy equipment market in Malaysia and Singapore, and benefited substantially from the buoyant conditions in the construction industry in the two countries.

The company is paying a higher dividend, and is making a scrip issue on a one-for-two basis, raising the paid-up capital to 96m ringgit. The final dividend will be 37.5 cents, making 50 cents for the year, against 40 cents in 1979. The new shares will not rank for the final dividend.

## Electric utility plans record HK rights issue

By Philip Bowring in Hong Kong

HONGKONG Electric Holdings is making the biggest rights issue that Hong Kong has ever seen. It proposes to issue one ordinary share for every four held, to raise a total of HK\$785m (equivalent to about US\$160m). The issue is being underwritten by Jardine Fleming and Wardley. Only last December the company set a new rights issue record when it made an issue of a HK\$635m loan stock with warrants.

The loan stock issue was to provide the major portion of finance for a new power station the company is building. But in its statement yesterday the group said that the loan stock together with suppliers' credits and bank borrowing related to the project had greatly increased the debt to equity ratio. At mid-1980, this exceeded 1.2 for the first time and was rising as the investment programme continued. At December, 1979, shareholders' funds were HK\$1.58bn and term-debt HK\$650m.

The company said that it wanted to keep the debt ratio down to "a level more traditionally associated with the group." The rights price of HK\$4.95 compares with a pre-announcement market price of HK\$7.10.

The rights statement accompanied Hongkong Electric's announcement of its results for the six months ending June. Profit after tax rose 38 per cent to HK\$105.9m (US\$21.4m) on turnover up 59 per cent to HK\$617m (US\$125m). Earnings per share rose 38 per cent to 22.9 cents. The interim dividend is being raised from 9 cents to 11 cents.

For the full year, the group forecasts "that profit will be not less than 30 per cent on last year's HK\$274m, and that the final dividend will be not less than 16 cents, against 14 cents, on capital increased by the rights issue."

The company said that no further calls on shareholders were expected in connection with the power station project, for which contracts at fixed prices had been concluded. The project, which had been speeded up in order to quicken Hong Kong's shift from oil to coal-fired generation, would meet electricity requirements to the mid-1980s.

HK Electric's profits from electricity are limited by the conditions of its franchise. However, the controls, based on return on fixed assets not on shareholder funds, are currently set at 15 per cent. The group also has property and electrical good retailing activities which are outside the franchise controls.

Hutchinson Whampoa announced earlier this week that its rights issue of HK\$600m (U.S.\$121m) 9 per cent unsecured loan stock 1989/93 with warrants at par had been heavily oversubscribed.

The company said subscription was 171.5 per cent with acceptances of HK\$561.54m of provisional allotments and applications for excess loan stock of HK\$447.81m. The nominal amount available to satisfy applications for excess stock is HK\$38.46m.

Dealings in the partly paid loan stock and warrants separately would begin on September 9.

## Upsurge in profits at Arabian Oil

By Yoko Shibata in Tokyo

ARABIAN OIL, Japan's largest oil producing company with oil concessions in neutral zones between Saudi Arabia and Kuwait, has reported strong earnings for the six months to June 30, as a result of higher oil prices, and despite a decline in sales volume.

During the interim period, the Kuwait Government exercised in full its rights to buy back crude oil. As a result, sales volume fell by 30 per cent over a year ago. However, with oil prices nearly doubled, the value of sales reached Y\$50.6bn (\$1.6bn), up 48.3 per cent.

With the Kuwait Government exercising its buying back rights, crude oil has been eliminated from sales costs. As a result, operating profits jumped by 115.2 per cent to Y\$35.87bn.

However, because of a sharp rise in royalties paid to oil producing countries (linked to the rise in the official price of crude oil) net profits rose by only 43 per cent to Y\$4.2bn. Profits per share were Y\$8.36, compared with Y\$47.82.

The company makes no forecast of results for the current half year because of uncertainties such as the possibility of another rise in the price of crude oil at the OPEC general meeting, and exchange fluctuations. However, a slight cut in production is to be made because of slackening demand in Japan.

Shouwa Oil Company, has reported an after-tax profit of Y\$9.07bn (\$40.5m) for its first-half, to June 30. This compares with a deficit of Y\$10.23bn in the same period last year. Sales totalled Y\$99.96bn (\$2.2bn), against Y\$89.62bn.

## Senior changes at Vickers

VICKERS has made the following Board appointments from September 1.

Mr. I. J. Fraser, chairman of Lazard Brothers, becomes a deputy chairman of the company. Mr. D. A. S. Plafow, formerly a non-executive director, will be managing director and chief executive.

Mr. H. P. N. Benson, Mr. L. W. Harris, and Mr. T. Neville are appointed additional directors. Mr. Harris will be the commercial director, Mr. Neville, finance director, and Mr. Benson is to be non-executive.

Following the merger with Rolls-Royce Motors Holdings, the operating units of both companies have been integrated to form five groups, each with a chief executive. These are: engineering equipment, Mr. C. N. Davies; motor car, Mr. G. R. Fearn; international, Mr. C. W. Foreman; Howson-Algraphy, Mr. R. O. Taylor; and engineering products and business equipment, Mr. W. M. Windsor.

Mr. W. C. McKie retains his position as director of contracts and legal affairs and Mr. H. E. Scrope continues as company secretary.

Sir Harold Smedley has been appointed to the London Board of the BANK OF NEW ZEALAND. He was a member of the British Diplomatic Service from 1946 to 1980.

Mr. George Henderson has been appointed interim managing director of MACKAN GROUP (UK), of Aberdeen, following the resignation of managing director and vice-chairman Mr. Ian Afford. Mr. Henderson is managing director of Stoy Horwath.

Mr. Richard T. H. Harrison has been appointed as a sales director to the Board of OSCAR FRIEDHEIM.

Mr. Paul B. Litterer has been appointed managing director of CCM MARKETING, of Kettering, and retains his responsibility for marketing.

Mr. Russell Gore-Andrews has been appointed managing director of the MORE O'FERRALL GROUP.

Mr. Colin H. Black, an executive director of Globe Investment Trust, has been appointed a director and joint deputy chairman of TYNDALL INVESTMENT SERVICES.

Mr. Arthur Rolt is the new chairman of the BRITISH DISPOSABLE PRODUCTS ASSOCIATION, succeeding Mr. Keith Walker. Newly-elected vice-chairman is Mr. Geoffrey Bell-Jones.

Mr. Ian Welsh has been appointed a director and general manager of HAROLD F. WARD, a member of the Deritend Group.

Mr. W. Bowyer has been appointed director of buying services; Mr. D. V. Moule, director—Africa; and Mr. J. C. Rowley, director—Middle East and Caribbean, on the board of

management of the CROWN AGENTS from September 1.

Mr. Jim Anderson and Mr. Terry Walne have been appointed manufacturing director and commercial director, respectively, of MASSON SCOTT TRUSSELL ENGINEERING, a member company of Molins.

Mr. Geoffrey Johnson Smith, Conservative MP for East Grinstead, has been appointed special consultant to the board of the MALDWIN BOWDEN INTERNATIONAL GROUP, which is based in Brighton.

Roche Plant Group has made the following appointments within its subsidiary ROCHE MECHANICAL HANDLING from September 1: Mr. Colin A. Shattock, managing director, Mr. David K. Jones, director (north) and Mr. Gerard A. Mepharm, director (south).

NATIONAL WESTMINSTER BANK is to disband its Western Europe regional office from September 1 and that region will be replaced by Northern and Southern Europe regions. Mr. Michael Conolly will be senior international executive, Southern Europe, and Mr. David Ingham, senior international executive, Northern Europe.

Mr. Derek Hornby has been appointed to the board of RANK XEROX LIMITED as director of staff support. He returns to the UK after seven years with the Xerox Corporation in the U.S. Mr. Hornby will be responsible for corporate affairs, legal, personnel and special projects departments.

Mr. Howard Morgan, AMERICAN EXPRESS travellers cheque division has been promoted to regional vice president for the UK, Ireland, Holland, Malta and Gibraltar. He was previously senior regional manager for England and Holland.

Mr. G. Robert Durham has

been elected a vice president of PHELPS DODGE CORPORATION, New York, from September 1. He will be responsible for the Corporation's investments in companies producing wire and cable and related products in foreign countries and for overseeing the operation and possible disposition of Phelps Dodge's 40 per cent interest in Consolidated Aluminum Corporation.

HYDRO-AIR INTERNATIONAL, Halesowen, a subsidiary of Moelvenhag Industries Inc., St. Louis, Missouri, has appointed Mr. Barry J. Griffin to the Board, responsible for its operations in Great Britain and Ireland.

MARTIN THE NEWSAGENT states that Mr. L. Bird will resign as a director and executive of the company on October 1 to pursue outside interests. Mr. Bird will remain a consultant.

Mr. Paul F. Strzelecki has been appointed a director of HENRI-LLOYD, Manchester, manufacturer of waterproof protective clothing for yachting, mountaineering, and industrial use.

Mr. Peter Woolhouse, formerly sales director, and Mr. Frank Barnett, formerly production director, of Alida Packaging have joined the polythene division of the R. H. MORLEY GROUP.

It was incorrectly stated yesterday that Mr. J. P. Crossley had been appointed chairman and managing director of Carpets International following the decision of Dr. E. K. McIver to leave the company to pursue other interests. Mr. J. P. Crossley, chairman of the group's subsidiary CARPETS INTERNATIONAL (NORTHERN), has in addition been appointed managing director of that company in succession to Dr. McIver. Mr. J. M. Carpenter is chairman of Carpets International.

## No payment until 1985, Trust Bank warns

By Our Johannesburg Correspondent

TRUST BANK, South Africa's fifth largest bank, warns that although profits are rising strongly present indications are that the bank will not pay a dividend until 1985.

During the year to June 30, Trust Bank increased its net profit (after tax and transfers to contingency reserves) by 232 per cent to R12.25m (\$15.5m) from R3.21m. The increase is attributed to an improved national economic climate, suitable financing arrangements made for the company's troubled property investments, and benefits from the almost complete restructuring of the bank.

However, though the South African property market has improved over the past year, management cautions that the bank's property involvement is of such an extent that it will be several years before the property portfolio can be decreased to a level where it will yield an acceptable return. Until then, the bank's contingency reserve will continue to be strengthened by maximum possible transfers from annual profits.

During fiscal 1980, R\$4m was transferred to disclosed reserves from a profit of R\$41m attributable to ordinary shareholders.

In Johannesburg Trust Bank shares are currently trading at 155 cents.

## Support for foreign bank entry

BY JAMES FORTH IN SYDNEY

A COMMITTEE appointed by the Government to overhaul Australia's financial system has indicated that there is widespread support for the entry of foreign banks.

The interim report of the Committee of Inquiry into the Australian Financial System, headed by Mr. Keith Campbell, notes that it has been Government policy not to allow foreign interests to operate banks in Australia.

The interim report sets out the issues raised in submissions but does not contain any recommendations or draw any conclusions. These will be included in the final report, expected early next year.

The report says it is widely acknowledged that foreign banks

could have a place in the Australian banking system at some time in the future, although views differed significantly on the appropriate timing of entry.

The Australian banks felt they should have more time to adjust to any new regulatory and competitive structure before having to meet competition from foreign banks in the general banking arena.

"Many of those favouring the early participation of foreign banks believe, nevertheless, that it should be on a more restrictive basis to that of locally-owned banks," the report states.

It said that the foreign banks most interested in an Australian banking operation were "typically very large, with con-

siderable market presence in status, particularly in international money markets." Few had expressed interest in a local retail banking operation. An important concern of the committee was that any foreign bank operation should not compromise the scope for effective economic policy.

The comprehensive 570-page report canvasses issues covering financial institutions and the capital markets, the regulatory controls and the role of the Reserve Bank, Australia's central bank. The need for a freer and more competitive financial system, with less Government involvement, is a recurring theme of submissions to the Campbell Inquiry.

## Sentrachem doubles its income

BY JIM JONES IN JOHANNESBURG

SENTRACHEM, South Africa's second largest chemicals group, more than doubled pre-tax profit to R77.2m (\$101.9m) in the year to June 30 compared to R38.4m last year. Turnover was 82 per cent higher at R430.2m (\$567m), compared to R236.5m.

The figures are not strictly comparable as Sentrachem's results incorporated those of the fertiliser manufacturer Federale Kunsmis (Fedmis), a new acquisition during the second half of the fiscal period. However, the management is confident that the present year will result in more growth in

pre-tax and distributable profit. Mr. David Marlow, the managing director, said that the demand for chemical products has far outstripped the country's growth in gross domestic product. He said that the prospects for South Africa's economy were good for at least another year and was confident that Sentrachem's R300m expansion programme will make an important contribution to the company's growth.

Although the 40 per cent-owned Coalplex pvc operation (AECL) the country's largest chemicals group, has the other 60 per cent) is operating

profitably, a positive contribution has yet to be made to Sentrachem's results. Sentrachem's 40 per cent participation was funded through debt, and profits from Coalplex have yet to exceed the cost of the borrowings.

A total dividend of 33 cents compared to 23 cents has been declared from earnings per share of 66.2 cents as against 40.9 cents, reflecting the increase in the number of shares issued to 89.5m from 55.6m after the acquisition of Fedmis. In Johannesburg, Sentrachem shares are trading at 910 cents.

This announcement appears as a matter of record only.



## Banco Itaú S.A.

US \$65,000,000

Resolution 63 Loan

Managed by

Libra Bank Limited

Arab African International Bank (Cairo)

Banco de Bogota

The Commercial Bank of Kuwait S.A.K.

The Mercantile Bank of Canada

National Westminster Bank Group

Provided by

Libra Bank Limited

Arab African International Bank (Cairo)

Banco de Bogota S.A. Panama

The Commercial Bank of Kuwait S.A.K.

International Westminster Bank Limited

The Mercantile Bank of Canada

Banco de Bilbao, Grand Cayman Branch

Banco de Chile

Banco de la Provincia de Buenos Aires

Banco Espirito Santo e Commercial de Lisboa (London Branch)

Banco Mercantil Venezolano N.V.

Banco Sudameris Internacional S.A.

Bank of America NT & SA

Banque Nordeurope S.A.

Credito Italiano, New York Branch

International Commercial Bank Limited

Old Stone Bank

Orion Bank Limited

Scandinavian Bank Limited

Arranged by



As Agent

July 1980

This announcement appears as a matter of record only.



## Nitrocarbano S.A.

Brazil

U.S. \$25,000,000

Medium Term Loan

Guaranteed by

Petrobrás Química S.A. — Petroquisa Naamloze Vennootschap DSM

Managed by

Libra Bank Limited

Banque Européenne pour l'Amerique Latine (B.E.A.L.) S.A. Continental Illinois National Bank and Trust Company of Chicago International Energy Bank Limited The Royal Bank of Canada (London) Limited

Arranged by



LIBRA BANK LIMITED

As Agent

August 1980

This announcement appears as a matter of record only.



## Banco Crefisul de Investimento S.A.

Associate of Citibank

Brazil

U.S. \$15,000,000

Resolution 63 Loan

Libra Bank Limited

Associated Japanese Bank (International) Limited Girard Bank

International Commercial Bank Limited The National Bank of Australasia Ltd. The Royal Bank of Scotland Limited

Arranged by



As Agent

July 1980



# THE PROPERTY MARKET

BY MICHAEL CASSELL

## Trafalgar House presses on

TRAFALGAR HOUSE, not this week's best-loved name along the Great West Road, is planning a 230,000-sq-ft office complex behind the Fleet Street offices of Express Newspapers, which is owned by the group.

The scheme will be carried out by Trafalgar House Developments, part of the group's property division, and planning permission is now being sought.

Perhaps mindful of this week's events at Hounslow, a Trafalgar House spokesman emphasised that the proposals did not involve the demolition of the Daily Express and Sunday Express buildings with their distinctive "art deco" Fleet Street frontage. Unlike the late lamented Firestone plant, they are listed as being of architectural interest.

The buildings which will make way for the new development are in Shoe Lane opposite the International Press Centre and have housed the Evening Standard offices. They are now being emptied and a request for demolition is going before the planners.

Trafalgar House expects to start work on the new project at the start of 1981 and there will be a two-year building programme. The resulting space, which will represent one of the largest new office schemes in the area for many years, will be available on the open market. Given the property division's emphasis on sales, the scheme could well go on offer to the institutions, although funding for the complex is expected to be found internally.

The reaction to the speedy

demolition of the Firestone "art deco" factory, just as the Department of the Environment and the local council were considering having it listed, may have been underestimated by Trafalgar House but its action undermines the group's conviction that the usefulness of the site, for which it paid between £15m and £20m, would be severely inhibited if the facade remained.

### Prejudices

Whatever the rights and wrongs of the Firestone case—Trafalgar House, it should be remembered, broke no laws—the affair will do little to dispel some of the widely held prejudices directed at the property development industry. On the other hand, does the future caused by the conservationists in such cases tend to distort the true depth of public feeling about such architectural "losses"?

Trafalgar House plans to develop an industrial park on the 28-acre site, which provided Firestone with just over 1m sq ft of industrial, warehouse and office space. The main factory provided 680,000 sq ft of floor space.

Meanwhile, the group's general property development programme has rarely looked more active and the strategy remains to provide as broad a spread as possible across the development spectrum. The Shoe Lane scheme will phase in nicely with the completion of the Trafalgar-Whitbread office complex at nearby Chiswell Street while the group is

engaged in other office schemes at Birmingham, where 58,000 sq ft of new space is nearing completion, and at Sheffield, where Trafalgar-Viking are developing the 121,000 sq ft Steel City Plaza complex. Several other smaller provincial schemes are underway.

In the retail sector, Trafalgar House Developments is due later this year to complete a 46,000 sq ft shopping centre, known as "Drummers Corner," in Peterhead and it is also working on a 180,000 sq ft scheme at Swansea. Another Trafalgar House subsidiary, Builders Amalgamated, will next year complete a 148,000 sq ft retail scheme at St. Helens in Lancashire.

On the industrial front away

from Hounslow, Trafalgar House (Industrial) Developments has just completed work on the 115,000 sq ft Ashford estate. The first phase provides nearly 43,000 sq ft of space—mainly in the form of nursery units—all of which has been let, mainly at rents of around £4 a sq ft. In accordance with its normal funding policy, the group proposes to sell the first phase shortly.

Trafalgar House also announced this week that it has sold the third phase of its North Orbital trading estate at St. Albans to an unnamed institution (industrial space is apparently now "in" despite the short-term prospects) at a figure (undisclosed) equating to an initial 6½ per cent yield.

## NCP buys Exchange

NATIONAL CAR PARKS has emerged as the buyer of the Liverpool Exchange station site, one of the most important development locations on Merseyside.

The freehold of the 7½-acre site was up for sale by tender on instructions from the British Railways Board and the Property Services Agency. The deal was arranged by Debenham Tewson & Chinnocks and the purchase price was around £600,000.

The site, which is located in Liverpool's central business area, includes a large cleared area (previously covered by the station buildings and platforms)

bounded on one side by the former Exchange Hotel and the partly demolished Exchange Chambers.

Permission exists for the erection of about 600,000 sq ft of offices and ancillary accommodation and NCP said yesterday it envisaged developing the site, possibly in conjunction with an institution, to provide office space and car parking facilities.

The group, one of the largest private companies in the country, is not surprisingly best known for their car park construction and management operation. But it also has a substantial property development business, with a number of commercial developments underway.

## Slough Estates in U.S. shops scheme

SLOUGH ESTATES, which this week announced a useful increase in half-yearly profits, is taking its first big step into the U.S. retail development market.

The group, which has been actively building up its North American operations to support a "blue chip" industrial and office portfolio in the UK and elsewhere, has started work on a 140,000 sq ft neighbourhood shopping centre at Riverview, a suburb of Chicago.

For Slough, the retail scene is largely new. To date its interest is confined to the Tournai shopping complex in Belgium which was opened in October last year and a small partnership interest in a centre at Washington, Illinois.

The Riverview scheme is being carried out along the lines of most of its U.S. operations, via SDK Parks, in which Slough has an 80 per cent interest and Draper and Kramer of Chicago has the remaining 20 per cent.

Mr. Wallace Mackenzie, managing director of Slough, says the Riverview site is close to the centre of Chicago, within five or six miles of the Loop. Work on the centre is already underway and it should be complete and open for business by March next year.

The scheme is likely to cost in the region of £4m and around 50 per cent of the rental

income for the centre is apparently already secured. The centre will provide three major store units—all of which have tenants lined up—together with another 12 or 15 smaller units, depending on how the space is finally divided up.

Rents, as is the custom, will be calculated on the percentage system, implying a base figure which can be increased depending on turnover performance. Rents for the smaller units will initially be around £5 a sq ft.

Draper and Kramer are experienced in the retail field and Mr. Mackenzie says that more shopping developments could be on the way.

Still in Chicago, the first tenants are now moving into the 28-storey, 800,000 sq ft office block in West Monroe Street, in which Slough has a 25 per cent interest. Around 98 per cent of the space has now been let and tenants include names like Arthur Anderson, Standard and Chartered Bank and Merrill Lynch.

Slough's diversion into the hotel business, in the shape of the Midway Motor Lodge at its Elk Grove industrial complex, is fully open and "doing good business." The 580,000 sq ft industrial centre is fully income producing.

Elsewhere, new premises are being added to a number of industrial estates in Canada and Australia and development is underway at the recently acquired S-acre site at Hanover, West Germany.

## GA in £7m deals

GENERAL ACCIDENT has spent over £7m in acquiring two industrial estates in the south-east.

The group is thought to have paid around £6m for a 140,000 sq ft industrial complex at Nine Elms, adjacent to London's Covent Garden market. The space is pre-let to Securicor at a rent of about £44,000 a year and the site, formerly owned by British Rail, was originally intended to provide a railhead for the Market.

GA has also purchased 51,000 sq ft covering nearly five acres on the Bilton industrial estate at Bracknell. A 99 year lease is involved and there are eleven tenants. The initial yield of 4½ per cent is expected to rise to about 7½ per cent by 1983.

Pease Property Corporation has won planning permission to redevelop a factory at 243 Kangley Bridge Road, London SE 26, adjoining Lower Sydenham station and previously occupied by Columbia Ribbon and Carbon Manufacturing. The scheme will provide 42,500 sq ft of space in four warehouse and five factory units and should be completed in August 1981. Healey and Baker are letting agents.

The Manchester Ship Canal Company has paid around £300,000 for the former Dry Dock Company's land and premises on Trafford Wharf Road, Trafford Park. The Ship Canal Company originally owned the land in question and sold it at the start of this century. Now it plans to refurbish some of

the existing premises and to build new industrial and warehouse space. The scheme will be known as the Trafford Wharf estate and one substantial letting has already been agreed. Dunlop Heywood acted for the purchaser while Richard Ellis represented the liquidator of the Dry Dock Company.

Scottish Equitable Life Assurance has purchased the freehold interest in 129/131 High Road, Wood Green, adjacent to the new Shopping City complex. The property is let to Walspan Bedrooms at an annual rent of £27,500 and Scottish Equitable paid about £500,000 for the freehold. Conrad Riblat acted for the vendors and Savills acted for Scottish Equitable.

Tesco wants to build a 100,000 sq ft superstore on the site of the Cardrome at Hornchurch. The plan would also include parking for 950 cars, a petrol station and eight squash courts. A planning application has been submitted for the developers Conlane and Tesco by Healey and Baker. Tesco already has nine stores with a sales area in excess of 50,000 sq ft.

Commercial Union Properties has completed a 90,000 sq ft industrial and warehousing estate at Loudwater, High Wycombe. The scheme included the refurbishment of a Grade II listed mill house, which together with 80,000 sq ft of warehouse space has been let to Sambron (UK). Development was undertaken by CUP in conjunction with Queensgate Developments.

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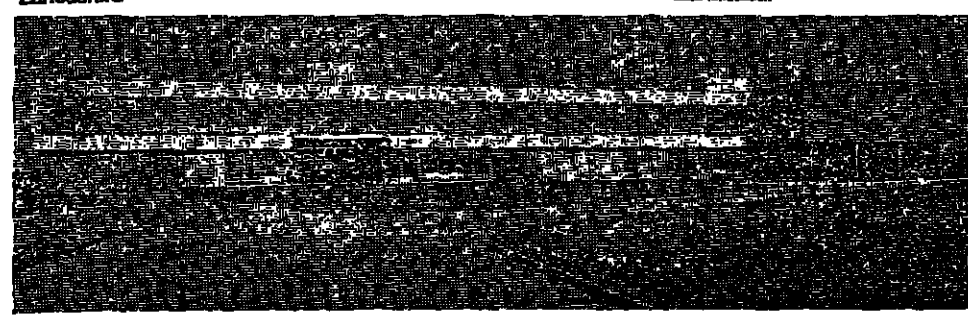
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## East Rand Proprietary Mines, Limited

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A Member of the Barlow Rand Group

### NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of members of East Rand Proprietary Mines, Limited will be held in the conference room, eleventh floor, 63 Fox Street, Johannesburg, on Monday, 29th September, 1980 at 10.00 a.m. for the purpose of considering and, if deemed fit, passing with or without modification the following resolutions:—

1. As a special resolution  
"RESOLVED THAT the company's authorised share capital be and is hereby increased from R4,000,000 divided into 4,000,000 shares of R1 each to R6,000,000 divided into 6,000,000 shares of R1 each by the creation of 2,000,000 new shares."

2. As an ordinary resolution  
Subject to the passing of the special resolution on 29th September, 1980 and to the subsequent registration thereof, to the provisions of the Companies Act, 1973, as amended, and to the rules and regulations of The Johannesburg Stock Exchange and The Stock Exchange, London:—

- "RESOLVED THAT 2,000,000 new shares be and they are hereby placed under the control of the directors of the company, who are hereby authorised:—
- (a) to issue and allot 1,584,000 shares in terms of the proposed rights issue in the ratio of 40 new shares for every 100 shares already issued;
  - (b) to issue and allot a number not exceeding 396,000 shares as a result of the exercise of detachable options granted in the ratio of 1 option for every 4 new shares to be issued in terms of the rights issue;
  - (c) to issue and allot any or all of the remaining unissued shares in the capital of the company at such prices, at such times, in such manner and on such terms and conditions as the directors may deem fit."

The reasons for proposing the special resolution have been given in the circular to members posted today and the effect of that resolution is to increase the company's authorised share capital to facilitate the proposed rights offer.

All members registered as such at the close of business on 26th September, 1980 will be entitled to attend and vote at the meeting.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and on a poll vote in his stead. A proxy need not be a member of the company. The required proxy form for the general meeting accompanies this notice and further copies may be obtained from the company's transfer secretaries, or the United Kingdom registrars and transfer agents.

To be effective, the completed proxy form must reach the company's transfer secretaries in Johannesburg or the United Kingdom registrars and transfer agents not later than 48 hours (excluding Saturdays, Sundays and public holidays) before the meeting proceeds to business.

The holder of a share warrant to bearer who desires to attend or be represented at the meeting must produce his share warrant or a certificate of his holding from a banker or other approved person at the bearer reception office in the United Kingdom or he must produce his share warrant at the office of the Paris correspondents, in both cases at least ten days before the date appointed for the holding of the meeting, and shall otherwise comply with the "Conditions governing share warrants" currently in force. Upon such production a proxy form and/or attendance form will be issued under which such share warrant holder may attend or be represented at the meeting.

By order of the board,  
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19 Boulevard des Capucines,  
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29th August 1980.

Robert Graham samples the delights of Benidorm

## A town transformed by tourism

AT MIDDAY I rolled out my rush mat and stretched towards the sun like 25,000 others on Benidorm's Playa de Levante. It had taken some 15 minutes to select this spot. It was impossible to get any closer than 40 metres from the sea. In front of me were 23 lines of bodies, becoming more and more concentrated at the water's edge. Lying on deck chairs under umbrellas, they formed a solid phalanx five or six deep.

This Playa de Levante and a neighbouring beach provide 5 kms of magnificent sand that accommodate the largest single number of holidaymakers in Spain. Right now, there are close on 300,000 people.

The town has a hotel capacity of 35,000 beds and possesses over 150,000 registered apartments. According to the Minister of Tourism Benidorm's capacity is a total of 280,000 beds. This is 12 per cent more than the equivalent capacity in Greece. It is over three times greater than that of Tunisia and almost four times larger than that of Portugal.

Everything in this resort is on a massive scale. On the 3 km Playa de Levante 15,000 deck chairs and umbrellas are available for hire every day. The town's three bakeries produce 100,000 loaves of bread a day and 200,000 more are brought in from outside. The population, crammed into hotels, apartments, villas and camp sites, produces 180 tons of refuse a day. In the peak season the town becomes like an inflated balloon. The normal population almost triples.

According to the latest census Benidorm has 28,496 inhabitants. Another 25,000 are reckoned to work here and in the winter and off season months the tourist population is around 50,000. No other Spanish resort expands in quite the same way.

"I can remember Benidorm when it was still a beautiful village," says Sr. Jose Such, the town's newly elected mayor. "I would rather not talk of the past," he says ruefully. In 15 years the place has been ruthlessly transformed by unchecked speculative development, which has followed the two beaches in a ribbon on either side of the old town. The beach fronts have been dwarfed by skeletal skyscraper apartment blocks and hotels constructed in unerring bad taste.

These stretch back in tapering layers into what was once good agricultural land but is now mostly deserted and unused. The farmers have become urban property owners. Benidorm has been converted into a resort wholly geared to mass tourism.

There are 2,572 business enterprises: from boutiques and souvenir shops to bowling alleys and night clubs. Benidorm's development has also given it one of the highest per capita incomes in Spain.

Benidorm's growth has been based on three basic attractions—the large sandy beaches, the exceptionally high amount of sun and low budget facilities. These still remain its fundamental attractions. Unlike resorts on the Costa Brava, the Benidorm area was much more deserted and freer of urban centres. This helps to explain why growth has been so rapid and on such a scale. It also is generally conceded that planning was exceptionally lax.

Benidorm's development has been so fast that the infrastructure, roads, water supply and sewage have just not been able to cope," says Sr. Such. The town seems almost to groan under the strain of so many people.

For instance, apartment blocks have been built without parking lots and there is just no space to accommodate an invasion of 50,000 extra cars in the summer. The most stretched resource has been water. Buildings were permitted even though it was known that water supplies were inadequate. The situation was made more complex by a system of private ownership of water. Thus in the summer Benidorm suffered from chronic water shortages.

Two years ago the Spanish Navy had to ferry in water from nearby Alicante. This forced the authorities to act, and a consortium of eight townships and villages, led by Benidorm, was formed. This consortium has now nearly finished a Pta 15bn (£8.7m) system of pooled water supply which will eliminate all water shortages.

However, there are still a number of hotels and apartment blocks that have to buy in emergency tanker supplies as a precaution.

To ease the strain on Benidorm's facilities there has been a freeze on all new hotel construction. Cheap Government-backed credits to finance new hotels, a major stimulus to the Benidorm boom, have been stopped. The sole exception is in the five-star category, since the Government is anxious to encourage the growth of quality hotels in Spain. Benidorm currently has only one five-star hotel. Almost two-thirds of all its hotel establishments are in the two-star category and below.

The bulk of the capital behind the hotel and apartment block development has been Spanish—at least on paper. Quite frequently, development has been carried either with the

backing or equity participation of investment/property subsidiaries of the banks. The single most recognisable presence in Benidorm today is that of Rumasa, the largest private holding company in Spain, which is controlled by Sr. Jose Ruiz-Mateos. The Rumasa hotels group owns four large hotels, while there are two different Rumasa banks in town.

There is a consensus among estate agents that foreign capitalists—except for individual apartment/villa purchases—prefer to go more for quality investments. This has kept them out of Benidorm. The municipality is at some loss to explain that despite the recession

in apartments rather than hotels and coming by car as opposed to air charter.

During August a majority of the holiday-makers, according to the hoteliers, are Spaniards. This has been a growing phenomenon of the past five years and is itself a reflection of their increased spending power. Benidorm is the nearest large Mediterranean resort by road from Madrid, and as a result up to half of all the Spaniards come from the capital.

However, this year there is an important influx of Basques who traditionally have holidayed in San Sebastian and Round Santander. The Spaniards are almost without exception family

foods, which predominate, are increasingly standardised, as is all entertainment. Fish and chips have given way to hamburgers, tea to Coca Cola. At night, flamenco has been supplanted by rock orchestras and discos.

"We stopped taking them to flamenco shows several years back because they could see it was all so fake—some fat old woman in a spotted dress and a tired looking waiter type clacking the castanets," commented one tour guide. Benidorm now boasts 68 discos, many open until the early hours of the morning.

Complaints about Benidorm are surprisingly few. The sun does shine and the sea water is clean. This year the municipality instituted twice-weekly chemical checks of the water in six spots. It has also improved the night cleaning of the beaches, which gather 50,000 cigarette butts a day, according to a local statistician.

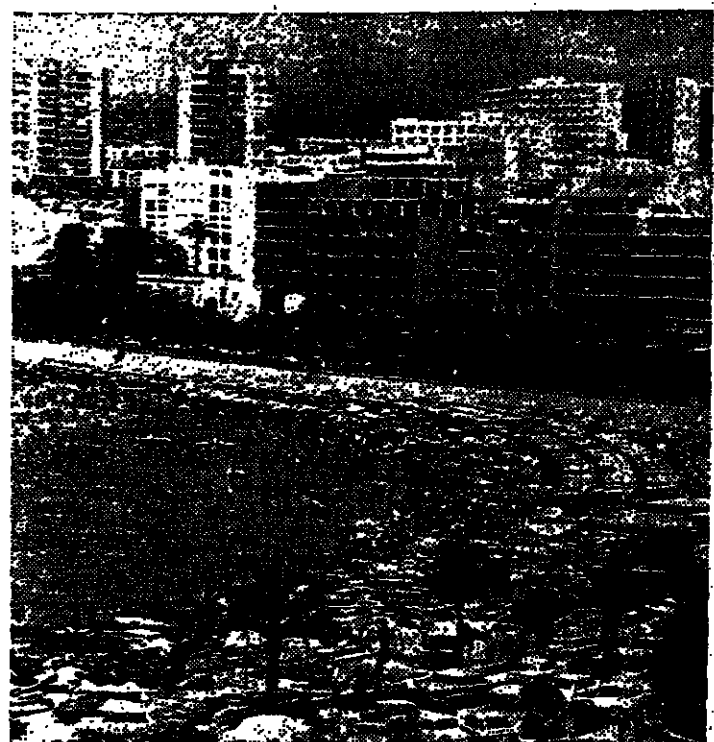
"Our main problem now is that Benidorm's budget is based on the town's census of 28,000 inhabitants and it is difficult to persuade the Government Ministries we need the money to satisfy the needs of almost 300,000," says Sr. Such.

The authorities cannot afford to let Benidorm's reputation suffer—which the water shortages seriously threatened to do. Benidorm is big business, providing Pta 22bn (£128m) worth of foreign exchange a year. This is almost 5 per cent of Spain's total foreign exchange earnings from tourism.

For their part, the hoteliers and restaurateurs are acutely conscious of the need to offer competitive prices. Many hotels have raised their prices only for the peak July and August months—and by a maximum 15 per cent in line with inflation. Profit margins are being tightly squeezed.

July occupancy in Benidorm's hotels was as low as 55 per cent in some cases, and this has not been a good year. The international recession is blamed, as is the Basque bombing campaign in June and July. Nevertheless, this month has seen the resort at capacity. Says the mayor: "We try to make sure the motor-bikes without exhausts are controlled, that the discotheques close on time, and the traffic works better and that the beach doesn't seem too crowded. But a lot of people like all this noise and crowd. That, along with the sun and sea, is why they are here."

I can vouch for one thing: a walk up and down 3 kilometres of beach is enough to satisfy anyone's curiosity about the shape and colour of the human body.



SEASIDE VIEW, against a background of Benidorm's "unerring bad taste."

tion it has never had so many requests for building permission. Estate agents, meanwhile, report a slackening in demand, the most popular prices being between the Pta 1.5m and Pta 2m mark for both Spaniards and foreigners.

Traditionally, the British have been the principal patrons of Benidorm, flown in on charter groups to Alicante Airport. The British presence is evident in the plethora of signs that appeal to national chauvinism or familiarity like "UK British pub" or "The Copper Kettle."

The other major foreign group is the Dutch who are also catered for by an extensive array of bars and restaurants (especially Indonesian menus). In July and August the French and Belgians are numerous, with the former tending to stay

groups—a recent survey showed that 90 per cent of all Spaniards went on holiday as a family.

There is a significant social difference between the Spaniards and foreigners. The Spaniards are generally members of the expanding middle class, willing to spend a good deal of money. The foreigners on the other hand are frequently working class in origin, operating on tight budgets. This seems especially the case with the British tourists in peak season months.

Spaniards and foreigners rarely seem to mix, but they co-exist in mutual curiosity. This said, the increasing Spanish element in Benidorm tourism does not make the town any more Spanish in character. Indeed, it has the anonymity of an international airport. Fast

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## \$ &amp; £ weak

The dollar and sterling weakened in fairly active foreign exchange trading, and the U.S. currency finished fairly close to its lowest levels of the day against most major currencies. It touched a low point of DM 1.7890 against the D-mark, and closed at DM 1.7870, compared with DM 1.8005 previously, and weakened to SwFr 1.6620 in terms of the Swiss franc, before closing at SwFr 1.6640 on Wednesday. The Japanese yen remained strong, with the dollar falling to ¥217.50, and finishing at ¥218, against ¥219.65. The dollar's trade-weighted index, as calculated by the Bank of England, weakened to 83.9 from 84.3.

London's dollar market saw the pound opening at \$2.3930-2.3940, and touching an early peak of \$2.3960-2.3970 before a large selling order pushed it down to \$2.3930-2.3940. At noon sterling was around \$2.3930, and fell to \$2.3925 by mid-afternoon, and closing at \$2.3890-2.3900, a fall of 15 points on the day.

In terms of the French franc sterling fell to FF 9.93 from FF 9.91, and against the D-mark to DM 4.275 from DM 4.3075.

D-MARK—One of the weaker members of the European Monetary System of late, and showing a tendency to ease against the dollar following the turnaround in U.S. interest rates, the D-mark's monetary policy and the sharp fall in U.S. rates led to a decline in the dollar against the German currency. The Bundesbank did not intervene when the dollar was fixed at DM 1.7890 at the Frankfurt exchange, and with DM 1.8011 on Wednesday. The German authorities also did not support the dollar on the open market, but there was some surprise at the weakness of the U.S.

currency following the upward trend in U.S. interest rates. Sterling fell to DM 4.2710 from DM 4.3000 at the fixing, and most members of the EMS declined against the D-mark. The Dutch guilder rose to Dfl 91.76 per 100 guilders from Dfl 91.72, but the Irish punt, Belgian franc, French franc, Danish krone, and Italian lira lost ground.

ITALIAN LIRA—Weakest member of the EMS, but steadier after the July economic package. Rumours of devaluation have tended to undermine confidence once again in recent weeks. The lira showed little movement on the Italian Government's success on two votes of confidence in Parliament, although there was some improvement in the Italian currency in the forward market. The lira fell against most members of the EMS, but improved against the dollar on the U.S. unit's general weakness.

DANISH KRONE—Maintaining a steady tendency within the EMS recently, and now standing around the middle of the system after suffering two devaluations last year. The krone lost ground to most members of the EMS at the Copenhagen fixing, but was slightly firmer against the French franc. The Swedish krona and Norwegian krone also declined against the Danish currency, as did the dollar which was fixed at DKr 5.5650 compared with DKr 5.5685 previously, and sterling which fell to DKr 13.2870 from DKr 13.3070.

JAPANESE YEN—Steadier recently, and showing a successful fight against inflation which allowed a cut in the discount rate last week, and also helped by the sharp fall in U.S. interest rates earlier this year. The yen remained firm against the dollar, as the U.S. currency eased to ¥219.50 from ¥220.50 on Wednesday. Trading was active, and the dollar recovered in late trading after touching a six-week low of ¥218.40.

## EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rate	Currency amounts against ECU	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	36.7637	40.3386	+2.01	+0.76	+1.53
Danish Krone	7.4603	8.4603	+0.00	+0.00	+0.00
German D-Mark	2.4836	2.5780	+1.84	+0.82	+1.125
French Franc	5.4756	5.9396	+0.86	+0.86	+1.357
Dutch Guilder	2.7422	2.7915	+0.36	+0.36	+1.572
Irish Punt	0.6726	0.7272	+0.82	+0.82	+1.688
Italian Lira	1157.79	1202.40	+3.94	+2.83	+4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## EXCHANGE CROSS RATES

Aug. 28	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.00	2.390	4.275	9.930	5.930	4.660	20.34	2.765	68.65	
U.S. Dollar	0.418	1.00	1.788	21.80	4.156	1.950	8.12	1.166	88.75	
Deutsche Mark	0.234	0.559	1.00	121.9	0.920	1.091	47.61	0.647	16.07	
Japanese Yen 1,000	1.919	4.886	8.201	100.0	19.06	7.543	390.4	5.305	121.8	
French Franc 10	1.007	2.408	4.303	594.7	1.0	3.958	204.8	2.788	69.13	
Swiss Franc	0.854	0.608	1.087	132.6	1.186	1.0	67.03	17.47	17.47	
Dutch Guilder	0.815	0.513	0.917	111.8	0.845	1.0	436.5	0.583	14.73	
Italian Lira, 1,000	0.462	1.175	2.101	266.1	4.888	1.932	2.391	1.258	33.75	
Canadian Dollar	0.262	0.865	1.546	198.6	3.595	1.422	1.687	736.2	1	24.85
Belgian Franc 100	1.457	2.481	6.284	758.9	14.46	5.725	6.788	296.3	4.025	100.

## FT LONDON INTERBANK FIXING (11.00 a.m. AUGUST 28)

3 months U.S. dollars	6 months U.S. dollars	The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offering rates for \$10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust
bid 11 5/8 offer 11 5/4	bid 13 5/16 offer 13 1/8	

## EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Aug. 28	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
Short-term	16-16 1/2	9 1/4-10	9 1/4-11	10 1/4-10 1/2	12-14	8 1/2-8 1/2	11 1/2-12	14-20	8 1/2-9	9-10
7 days notice	16 1/2-16 1/2	10 1/4-10 1/2	9 1/4-11	10 1/4-10 1/2	14-14 1/2	8 1/2-8 1/2	11 1/2-12	20-25	10 1/2-10 1/2	10 1/2-11
Month	16 1/2-16 1/2	10 1/4-10 1/2	10 1/4-10 1/2	10 1/4-10 1/2	15-15 1/2	8 1/2-8 1/2	11 1/2-12	25-30	11 1/2-11 1/2	11 1/2-12
Three months	16 1/2-16 1/2	10 1/4-10 1/2	10 1/4-10 1/2	10 1/4-10 1/2	16-16 1/2	8 1/2-8 1/2	11 1/2-12	30-35	11 1/2-11 1/2	11 1/2-12
Six months	16 1/2-16 1/2	10 1/4-10 1/2	10 1/4-10 1/2	10 1/4-10 1/2	17-17 1/2	8 1/2-8 1/2	11 1/2-12	35-40	11 1/2-11 1/2	11 1/2-12
One year	16 1/2-16 1/2	10 1/4-10 1/2	10 1/4-10 1/2	10 1/4-10 1/2	18-18 1/2	8 1/2-8 1/2	11 1/2-12	40-45	11 1/2-11 1/2	11 1/2-12

Long-term Eurodollar two years 12-12 1/2 per cent; three years 12-12 1/2 per cent; four years 12-12 1/2 per cent; five years 12-12 1/2 per cent; six months 11.50-11.70 per cent; three months 11.50-11.70 per cent; one month 11.50-11.70 per cent; one year 11.50-11.70 per cent.

## INTERNATIONAL MONEY MARKET

## European rates mixed

Interest rates showed little overall movement in Europe yesterday. Frankfurt call money was quoted at 9.0 per cent, the same as on Wednesday, while longer-term rates were slightly firmer. Six-month money rose to 8.70 per cent from 8.65 per cent and 12-month money to 8.40 per cent from 8.35 per cent. Short-term rates seem unlikely to fall ahead of the month end, with seasonal tax payments due, unless the authorities decide to add further liquidity into the system on top of the recent cut in banks' minimum reserve ratios.

In Paris call money remained at 11 1/2 per cent but rates for one-month money onwards showed an easier tendency. One-month money was quoted at 11 1/2 per cent against 11 1/4 per cent, with three, six and 12-month money all standing at 11 1/2 per cent. Short-term rates were weaker where changed. Adequate supplies of short-term money kept the call money rate at 10 1/4 per cent, unchanged from Wednesday, with one-month money also steady at 10 1/4 per cent. Three and six-month funds however, were quoted lower at 10 1/4 per cent

## GOLD

## Firm trend

Gold rose \$1 to \$634.67 in the London bullion market yesterday. It opened at \$631.64, and the lowest level of the day, and the fixed at \$632.75 in the morning, and \$633.30 in the afternoon. The metal touched a peak of \$636.67 after lunch.

In Frankfurt the 12 1/2 kilo bar was fixed at DM 35,750 per kilo (\$634.67), compared with DM 35,710 (\$634.04) previously, and the fixed at \$634.67, compared with \$633.43.

In Zurich gold finished at \$634.67 against \$632.636.

Aug. 28	Aug. 27
Gold (fine ounce)	
Close	\$634.67
Opening	\$631.64
Morning fixing	\$633.75
Afternoon fixing	\$633.30

of Government disbursements over revenue transfers to the Exchequer together with large balances brought forward by banks.

In the interbank market overnight loans opened at 15 1/4 per cent and eased on the forecast of a moderate surplus to 15 1/2 per cent before coming back around lunchtime to 15 1/4 per cent. During the afternoon rates fell away to close at 15 1/4 per cent.

## UK MONEY MARKET

## Small help

Bank of England Minimum Lending Rate 16 per cent (from July 8, 1980)

Day-to-day credit appeared to be in adequate supply in the London money market yesterday, but the authorities provided assistance on a small scale by buying Treasury bills direct from the discount houses. The market was faced with the unwinding of a previous sale and repurchase agreement, which involved a large number of eligible bills, but this was outweighed by a moderate excess

## LONDON MONEY RATES

Aug. 28 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Finance House deposits	Company deposits	Discount market	Treasury Bills	Eligible Bank Bills	Prime Trade Bills
Overnight	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
2 days notice	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
7 days notice	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
One month	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
Two months	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
Three months	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
Six months	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
One year	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2
Two years	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2	16-16 1/2

## MONEY RATES

NEW YORK	11 1/2-11 3/4
Prime Rate	10 1/2-10 3/4
Fed Funds	10 1/2-10 3/4
Treasury Bills (13-week)	10 1/2
Treasury Bills (28-week)	10 1/2

GERMANY	7.5
Discount Rate	9.00
Overnight Rate	9.25
One month	9.50
Three months	9.75
Six months	10.00
One year	10.25

## FRANCE

Discount Rate	9.5
Overnight Rate	11.25
One month	11.50
Three months	11.75
Six months	12.00
One year	12.25

## JAPAN

Discount Rate	8.25
Overnight Rate	11.75
One month	12.00
Three months	12.25
Six months	12.50
One year	12.75

## WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, August 27, 1980. The exchange rates listed are mid-market rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghan (O)	44.00	Greenland	Danish Krone	5.5655	Papua N.G.	Kina	0.685
Albania	Lek	4.2305	Grenada	E. Caribbean \$	2.7025	Paraguay	Guarani	197.50
Algeria	Dinar	5.8325	Guadeloupe	Local Franc	4.1807	Peru	Sol	194.65
Andorra	French Franc	4.1807	Guatemala	Quetzal	1.00	Philippines	Ph. Peso	7.55
	Spanish Peseta	78.665	Guinea Bissau	Peso	32.5015	Pitcairn Islands	£	1.0246
Angola	Kwanza	27.627	Guinea Republic	Leone	12.7525	Poland	Zloty (O)	48.85
Antigua	E. Caribbean \$	2.7025	Guyana	Guyana \$	2.5505	Portugal	Port. Escudo	200.48
Argentina	Argentine Peso	1672.50	Haiti	Gourde	5.00	Porto Rico	Timor Escudo	n/a
Australia	Australian \$	0.8647	Honduras	Lempira	2.00	Porto Rico	U.S. \$	1.00
Austria	Schilling	13.7603	Hong Kong	H.K. \$	4.9495	Qatar	Qatar Ryal	3.678
Azores	Portug. Escudo	48.85	Hungary	Forint (O)	32.6022	Reunion Ile de la	French Franc	4.1807
Bahamas	Bahamian \$	1.00	Iceland	I. Krona	488.50	Romania	Lei	4.47
Bahrain	Dinar	0.2778	India	Ind. Rupee	7.8125	Rwanda	Rwanda Franc	92.94
Baleares Isles	Spanish Peseta	78.665	Indonesia	Rupiah	685.00	St. Christopher	E. Caribbean \$	2.7025
Bangladesh	Taka	24.861	Iran	Rial	70.00	St. Helena	E. Caribbean \$	2.3874
Barbados	Barbados \$	2.01	Israel	Israeli Punt (O)	2.0935	St. Lucia	E. Caribbean \$	2.7025
Belgium	B. Franc (O)	28.872	Italy	Lira	200.335	St. Vincent	E. Caribbean \$	2.7025
Belize	Belize \$	2.00	Japan	Yen	236.035	Samoa American	U.S. \$	853.95
Benin	C.F.A. Franc	208.035	Jordan	Jordan Dinar	2.12	San Marino	Italian Lira	3.5395
Bermuda	Bermudian \$	7.8125	Kazakhstan	Kazakhstani Tenge	1.7835	Saudi Arabia	Saudi Ryal	208.035
Bolivia	Bolivian P.	26.00	Kenya	Kenya Shilling	2.12	Senegal	C.F.A. Franc	5.5655
Bosnia	Bosnian P.	1.00	Korea	Won	7.3551	Singapore	Leone	0.8777
Brazil	Cruzado	54.70	Kuwait	Dinar	604.00	Solomon Islands	Sol. \$	5.135
Brunei	Brunei \$	1.00	Laos	Kip of Lib.	16.00	Somali Republic	Som. Shilling	0.6941
Bulgaria	Lev	1.00	Lebanon	Lebanese Pound	5.422	South Africa	Rand	7.7565
Burma	Kyat	67.271	Libya	Libyan Dinar	0.3961	Spain	Peseta	76.685
Burundi	Burundi Franc	90.00	Luxembourg	Lux Franc	28.72	Taiwan	New Taiwan (O)	36.00
Cameroon	C.F.A. Franc	208.035	Madagascar	Malagasy Franc	208.035	Tanzania	Tan Shilling	8.1998
Canada	Canadian \$	1.1986	Mali	Mal. Franc	48.85	Thailand	Baht	50.50
Canary Islands	Spanish Peseta	36.65	Malawi	Kwacha	2.1215	Togo Republic	C.F.A. Franc	208.035
Cape Verde Is.	Cape Verde \$	20.035	Malaysia	Ringgit	4.1807	Tonga Islands	Pa'anga	0.8475
Cayman Islands	Cay. Is. \$	0.835	Maldives	Mal. Rupee	0.3597	Trinidad & Tob.	Trin. & Tob. \$	2.4032
Cent. Am. Rep.	C.F.A. Franc	208.035	Malta	Maltese Pound	0.3597	Tunisia	Tunisian Dinar	0.4151
Chad	C.F.A. Franc	208.035	Martinique	Local Franc	4.1807	Turkey	Lira	80.00
Chile	Chilean Peso (O)	29.00	Mauritania	Ouguiya	7.514	Turks & Caicos	U.S. \$	1.00
China	Renminbi Yuan	47.70	Mauritius	Mur. Rupee	2.00	Tuvalu	Australian \$	0.8647
Colombia	Col. Peso (O)	208.035	Mexico	Mexican Peso	28.00	Uganda	Ug. Shilling	7.3551
Comoros	C.F.A. Franc	208.035	Moldavia	Leu	1.00	United Arab Emirs	UAE Dirham	3.6904
Congo (Brazzaville)	C.F.A. Franc	208.035	Mongolia	Tugrik (O)	3.3555	United Kingdom	£ Sterling	8.3874
Costa Rica	Colon	5.00	Morocco	Dirham	28.0495	Upper Volta	C.F.A. Franc	208.035
Cuba	Cuban Peso	0.707	Mozambique	Moz. Escudo	0.7588	Uruguay	Urugu. Peso	9.23
Cyprus	Cyprus Pound	0.3513	Namibia	Nam. Dollar	2.3874	U.S.S.R.	Rouble	0.637
Czechoslovakia	Koruna (O)	6.50	Nauru Is.	Nauru \$	12.00	Vanuatu	Aust. \$	0.8647
Dem. Rep. Congo	C.F.A. Franc	208.035	Nepal	Nepalese Rupee	1.955	Venezuela	FNH	853.95
Dominican Rep.	Dominican P.	1.00	Netherlands	Dutch G	1.00	Vietnam N.	Boliv. Dong (O)	2.18
Dominican Rep.	Dominican P.	1.00	Netherlands/Antilles	Antillian Guild	1.00	Vietnam S.	U.S. \$	1.00
Dominican Rep.	Dominican P.	1.00	New Zealand	NZ \$	0.2548	Western Samoa	Samoa Tala	0.9087
Dominican Rep.	Dominican P.	1.00	Nicaragua	Cordoba	1.00	Yemen	Yemeni Rial	2.3874
Dominican Rep.	Dominican P.	1.00	Niger Republic	C.F.A. Franc	208.035	Yugoslavia	New Y. Dinar	87.45
Dominican Rep.	Dominican P.	1.00	Nigeria	Naira (O)	0.5545	Zaire Republic	Zaire Zaire	1.9816
Dominican Rep.	Dominican P.	1.00	Norway	Norw. Krone	4.859	Zambia	Kwacha	0.7789
Dominican Rep.	Dominican P.	1.00	Oman	Rial Omani	0.5456	Zimbabwe	Zim \$	0.6895
Dominican Rep.	Dominican P.	1.00	Pakistan	Pkt. Rupee	9.91			
Dominican Rep.	Dominican P.	1.00	Panama	Balboa	1.00			



## Companies and Markets

## WORLD STOCK MARKETS

## Dow further down at 1pm

## NEW YORK

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# Low Oil Prices

Despite a modest rally from early hours, prices were still easier at midsession, continuing the downward trend the market has shown all week.

The Dow Jones Industrial Index stood at \$36.40 at 1 p.m., 4.69 down on Wednesday's close, on volume of 73.1 million shares (\$1.19m) in moderately trading.

Declines led advances by less than two to one. The NYSE All Common Index was 24c lower at \$70.91.

Higher interest rates and inflation were given as causes of the easier trend, with the modest comeback apparently attributable to profit-taking. Dealers noted that trading slowed as the market began to recover, and prices slipped again.

**Best Products**, which reported record fiscal 1980 profits, lost \$1 to \$25.1.

**Alaska Interstate** rose \$2 to \$38.1, attributing the gain to a favourable analysts' report.

**Mobil** was up ½ to \$70.2. The company said the final test of the upper intervals of the Ben Nevis 1-45 well off Newfoundland showed non-commercial amounts of hydrocarbons.

**OKC** halted sales yesterday, off \$11 to \$78.1 after resuming sale of oil today.

An instrument may want to sell part of its 20 per cent stake in OKC shares.

**TRE AMERICAN SEC** Market Value Index retreated 0.72 by 1 p.m. to 327.83 on volume of 3.5m shares, down on Wednesday's volume of 4.1 m.

**Splentrex** rose \$1 to \$61 after a delayed opening. It announced plans to merge with the newly-formed Splendour Form International, with public shareholders receiving 37 a share.

**Lake Shore Mines** shed \$13 to \$181 and **Sundance Oil** \$21 to \$51.

**Canada**

Stock prices continued lower in moderate noon trading, with the Toronto Composite Index off

Closing prices for North America were not available for this edition.

7.3 points at 2,235.0. Losses included zinc 232 to 139, on volume 2.65m shares (2.99m).

Golds were up 10.1 to 5,079 but Metals and Minerals fell 7 to 2,153.1.

Oil stocks were generally higher with **Hudson's Bay Oil** & lower **CS&S**, **Tasaco Canada**, at CS2 and Imperial Oil "A" at CS1 CS41.

However, **Gulf Canada** was up to CS30½ on news that the Grand Banks off Newfoundland where Gulf has interests, may hold 10bn barrels of oil.

Royal Trustco "A," the most active industrial on 256.77 shares rose CS4 to CS204.

Thomson Newspaper rose CS2 to CS204 and Southern CS2 CS44 on small volume. Gas announced newspaper closures in Canada.

**Paris**

Shares eased moderately in fairly active trading. **Seintemur** was affected by Wall Street's lower trend, but the 15 per cent rise in French retail prices at July, announced yesterday morning, apparently had little impact on prices.

Banks, Foods, Cars, Stores, Metals, Chemicals and Textiles all lost 2-3 c per cent on average.

Oils for the second day rallied, but last night's pay raise in anticipation of additional company taxation expected to be announced early next month. Elf-Aquitaine lost FF 21 to FF 1.11.

Among Foreign shares, U.S. stocks, Oils, Coppers and Diamonds weakened. Germans were unchanged and Gold Mine firms.

**Germany**

Prices were broadly lower though some recovery was seen from opening levels. **VW** Street's Wednesday decline was suggested as a main cause. The Commerbank Index dropped 6 to 723.6.

**Hoesch** in Steels added DM 1.30 to DM 24 against the trend, and **VW** in Cars rallied to close unchanged at DM 172.2 despite news of short-time work

CANADA				BELGIUM (continued)				HOLLAND			
Stock	Aug. 27	Aug. 28	Price Fr.	Aug. 28	Price Fr.	+ or -	Aug. 28	Price Fr.	+ or -		
Abitibi	21	21 1/4		Petrofina	1,810	-120					
Agnico Eagle	18 1/2	15 1/2		Novale Belgie	6,850	-90		AGF Holding			
Algoma Steel	56 1/4	57 1/2		Soc Gen Bank	2,430	-15		Ahold			
Asbestos	32	32		Soc Gen Belgie	1,358	-8		AKZO			
Bk Montreal	32 1/2	32 1/2		Solvay	6,650	-10		AN			
Basic Resources	16	16		Traction Elect	2,540			AMEV			
				Unifin	1,450			AMRO			
Bell Canada	19 1/2	19 1/2		Union Miniere	732	-2		Bos Kallis			
Bow Valley	23	23 1/2		Vielite Mont	1,254	-28		Buehrmann			
BP Canada	44 1/2	44 1/2						Bunzl			
Brascan	8 1/2	8 1/2						Elselvier			
Brinco	48	48						Enria			
B.C. Forest	16	16 1/4						Euro Com Tr			
B.C. Paper	23	23						Fairbrother			
Camflo Mines	34 1/2	35 1/2						Halken			
Can Cement	12 1/2	12						Hogvoets			
Can NW Lands	28 1/2	28 1/2						Hunter Doug			
								Infraduct			
Can Packers	31	31 1/4						KLM			
Can Perm Mts	26 1/2	26 1/2						Naarden			
Century Zinc	26 1/2	26 1/2						Ned Ned			
Imperial Bank	29	28 1/2						Ned Ned			
Can Inds	48 1/2	48 1/2						Rechts Adv			
Dominion	48 1/2	48 1/2						Robeco			
Can. P. Ent	29 1/2	29 1/2						Rorento			
Ord Tire	25	25 1/2						Svenska Brg			
Charokas Res	11 1/2	11 1/2						Oce Grubben			
								O.E.M.			
								Ommeren V			
Chieftech	25 1/2	25 1/2						Philips			
Comline	65	66 1/2						Rln-Scheide			
Consolidated A	19 1/2	19 1/2						Robeco			
Constar	15	15 1/4						Robeco			
Costain	10 1/2	10 1/2						Rolinto			
Daon Devel	10 1/2	10 1/2						Svenska Brg			
Danish Mines	10 1/2	10 1/2						Tokyo Pao H			
Dome Mines	128 1/2	128 1/2						Upland			
Dome Petroleum	86 1/2	86 1/2						Viking Rsr			
								VWF-Stork			
Dom Bridge	19 1/2	19 1/2						Volkswagen			
Dom Brundies A	18 1/2	18 1/2						West Ur			
Dom Stree	25 1/2	25 1/2									
Falcon Nickel	151	151 1/2									
Genitor Srs	39	39									
Gr-West Line	165	165									
Gulf Canada	30 1/2	30 1/2									
Guilford Srs	9 1/2	9 1/2									
Hawick Sid. Can.	18 1/2	18 1/2									
Hollinger Ags. A	62	61									
Hudson Bay Mng.	30 1/2	31									
Hudson's Bay	36 1/2	37									
Imperial Oil	26 1/2	27									
Husky Oil	11	11 1/4									
IAC	18	18									
Imperial	36 1/2	36 1/2									
Imp Oil A	42 1/2	42 1/2									
Inco	28 1/2	28 1/2									
Interoil	12 1/2	12 1/2									
Interoil Pipe	18 1/2	18 1/2									
Kaiser Res.	33	33 1/2									
Mac. Bloedel	34	34 1/4									
Marx & Spence	10	10									
Massey Ferguson	9 1/2	9 1/2									
McGill Srs	91 1/2	91 1/2									
Merland Explor.	9 1/2	9 1/2									
Mitel Corp.	37 1/2	37 1/2									
Moore-Paul	12 1/2	12 1/2									
Mountain State	124	124									

own at p

ing at its Audi subsidiary.

Banks tended lower, with  
Dresdner losing DM 3.50 to  
DM 189 amid worries about its  
dividend prospects.

Public Authority Bonds shed  
as much as 80pf, and the  
Bundesbank bought DM 19.8m  
of paper after purchases of DM 10m  
on Wednesday.

Mark Eurobonds were generally  
weak, with prices down as  
much as 80pf.

Milan

Prices closed irregularly  
lower in quieter trading, dominated  
by profit-taking after a firm  
opening.

Fiat held unchanged on L1700  
while Pirelli gained L29 to L704.  
Other gains included ANIC,  
Italgas and Italsider, but leading  
Banks, Insurances, Properties  
and Montedison among  
Industrials lost ground. Stocks  
of Rasnacetone lost L2150 to  
L352.

Tokyo

After opening higher, stocks  
closed sharply down on heavy  
profit-taking and a steady fall  
in the Nikkei Dow index lost  
50.83 to finish at 6,879.3. Declines  
led advances 373 to 242 in light  
trade of 220m shares (310m).  
The Tokyo S.E. Index was 1.58  
down at 476.85.

Most shares except some Oils  
and Chemicals lost ground  
widely, partly because of lack  
of buying support by foreign  
investors. Sony shed ¥100 at  
¥2,550; TDK Electronics ¥50 at  
¥2,650; Ricoh ¥20 at ¥350;  
Matsushita Electric ¥14 at ¥300;  
Hitachi ¥7 at ¥210; Daewoo  
¥488; and Victor ¥60 at  
¥1,520.

Hong Kong

The market moved down in  
active trading, with heavy sell-  
ing seen throughout the day  
after a firmer start. The decline  
attributed to fears that the  
local prime rate might soon be  
raised to catch up with the U.S.  
prime.

Losers included Hong Kong  
Shanghai Bank and Hong Kong  
Land, both down 20c to  
HK\$17.50. Hutchison Whampoa,

down 20c to HK\$12.10. Jardine,  
down 50c to HK\$20.20, and Hong  
Keang and Kowloon Wharf, down  
HK\$2 to HK\$38.

Against the trend, Hong Kong  
Electric put on 5c at HK\$7.10  
and Wheelock "A" 10c at  
HK\$5.70.

Singapore

Prices were down in quiet  
trading, the Straits Times In-  
dustrial Index shedding 4.77 to  
396.40.

Heavyweight Sime Darby re-  
ported a 21.7 per cent gain in  
net profit but did not offer the  
free scrip issue expected.

Eased from S\$3.70 to S\$3.98,  
Rothmans also declined, 45c to  
S\$6.15, after disappointing ex-  
pectations of free scrip issue.

Elsewhere, Plantations were  
sometimes sharply lower, Banks  
and Tins lower and Properties  
mixed.

Australia

Nervous selling and lack of  
overseas interest drove the  
market generally lower. Heavy-  
weight Mining and Industrial  
stocks were hit hardest; falls  
outnumbered rises 112 to 26 in  
Mines and 38 to 10 in Oils, but  
overall Industrial gains edged  
out losses 56 to 30.

Advances 30 cents to A\$15.65,  
MIM 6 cents to A\$5.18 and CRA  
16 cents to A\$6.25 in spite of  
recently reporting new gold  
finds in Western Australia.

Johannesburg

Gold shares closed firmer,  
reflecting the gold price in  
moderate activity. De Beers put  
on 5c to R11.65.

Heavyweights gained around  
150 to 350 cents and Medium and  
Lightweights 10 to 100 cents.  
Mining Financials were mixed to  
firmer with JCI up R3 at R80  
on results.

In Platinum, Implats and  
Rasplats rose 50c and 10c to  
R10.75 and R7.60 respectively on  
producer price increases. Samcor  
was unchanged at R4.45 after  
interim results, and Coppers  
closed mixed, unaffected by the  
fall in the London copper price.

Industrials were mixed to  
easier.

AUSTRALIA			JAPAN (continued)		
Price	+ or -	Aug. 28	Price	+ or -	Aug. 28
ANZ Group	-0.75	4.78	Kubota	-	870
Accor Asset	-1.12	1.12	Kumagai	-	487
Altabata Exptl	-1.85	-	Kyoto Ceramic	-	380
Anipol	-0.10	1.45	Kyocera	-	387
Assoc. Poly Pap.	2.30	-0.86	Maezda Cons.	-	835
Audfumo	0.29	2.29	Makita	-	406
Aust Cons Ind.	-1.45	-	Makino	-	620
Aust Cons Int.	1.58	-	Marsuda	-	730
Aust Nat Ind.	2.55	-	Masru	-	28
Aust Paper	2.05	-	Matsuda	-	680
Blue Metal	1.88	-	Mitsubishi Bldg	-	416
Sand Hldgs	2.70	-	Mitsubishi Elec.	-	804
Cent Oil (Ausd.)	2.30	-	Mitsubishi Est.	-	417
B.Ville Copper	2.75	-	Mitsubishi Ind.	-	409
Brambles Ind.	2.75	-	Mitsubishi Oil	-	648
Chlor Oil (Ausd.)	1.30	-	Mitsubishi Ref.	-	480
BHP	15.45	-	Mitsubishi Steel	-	1,110
Bruswick Oil	0.28	-	Mitsubishi Denso	-	710
CRA	6.25	-	Nippon Galko	-	710
Carton & Utd.	1.35	-	Nippon Ind.	-	1,470
Castlemaine Tre.	3.05	-	Nippon Shippan.	-	673
Cellulose Corp.	0.30	-	Nippon Steel	-	138
De. Opta	0.19	-	Nippon Subst.	-	803
Cookburn Cent.	1.25	-	Nissan	-	4,390
Coles (Aust.)	6.80	-	Nissin Motor	-	550
Cons Gold	9.50	-	Nissin Steel	-	147
Containers	3.40	-	Nomura	-	28
Dunlop	0.05	-	NYK	-	900
Electricity Gen.	0.65	-	Orient	-	1,060
Endeavour Res.	0.57	-	Pioneer	-	2,130
Glen Prop Trust.	1.48	-	Ricoh	-	550
Hamerley	0.90	-	Sanyo Elec.	-	819
Harcourt Energy	0.50	-	Sekisui Chem.	-	740
Hooker	2.14	-	Sharp	-	591
ICI Aust.	0.12	-	Shideido	-	3,550
Johnson Min.	1.45	-	Stanley	-	450
James (D)	0.68	-	Storno Marine	-	277
Leighton Hill	0.55	-	Taihei Docv.	-	819
Lepson Oil	1.50	-	Taisel Corp.	-	819
MIM	5.18	-	Taisei Pharm.	-	55
Messkathema Ms	0.65	-	Tokai Corp.	-	12
Merton Ind. Mil.	0.41	-	TDK	-	50
Metramar Min.	0.70	-	Tellix	-	135
Monarch Pet.	0.70	-	Tokai Oil	-	530
New Bank	2.75	-	Tosco	-	530
News Inc.	1.35	-	Toyo Marine	-	688
Nichols Int.	2.90	-	Toyo Elect-Pwr.	-	900
Nippon Ind.	0	-	Toyo Ind.	-	543
Oakbridge	0.90	-	Toyo Steel	-	5
Optel Exptl	1.65	-	Toshiba	-	202
Pacific Ind.	0.30	-	TOTO	-	456
Pan Pacific	0.30	-	Toyo Seikan	-	414
Pioneer Cons.	2.25	-	Tokai Motor	-	788
Porter & G.	0.45	-	Victor	-	1,820
Reckitt & Geln	2.50	-	Wacoal	-	788
Santosa	3.60	-	Yamaha Motor	-	870
Sand (H.C.)	1.65	-	Yamazaki	-	788
Southland M'ng	0.57	-	Yasuda Fire	-	380
Sparco Expl.	0.68	-	Yokogawa Edg.	-	446
Star Nativ.	0.90	-			
Stearns	0.50	-			
Uchan Mining	5.30	-			
Valiant Consd.	1.25	-			
Walton	0.68	-			
Western Mining	9.98	-			

**NEW YORK**

NEW YORK							1990		Since Comp'l'n	
	Aug. 27	Aug. 28	Aug. 29	Aug. 30	Aug. 31	Aug. 30	High	Low	High	Low
Industrials	945.68	953.41	956.23	958.19	955.03	948.31	866.72 (156)	758.15 (214)	1061.70 (117)	71.52 (37)
Home B'nds	68.87	69.31	69.31	69.37	68.48	68.48	76.81 (28)	65.87 (29)	-	-
Transport	520.17	525.56	524.61	527.76	524.66	530.58	527.76 (22)	524.66 (21)	524.65 (12)	12.53 (8)
Utilities	110.45	110.77	111.05	111.82	111.51	110.70	115.58 (67)	106.94 (22)	155.82 (16)	10.82 (3)
Trading Vol. 000's	44,000	41,700	55,400	56,210	56,770	42,560	-	-	-	-
Day's high	953.94	low	939.68	-	-	-	-	-	-	-

		1960					
		Aug. 26	Aug. 27	Aug. 28	Aug. 28	High	Low
<b>AUSTRALIA</b>							
Sydney All Ord. (1059/59)	894.85	971.70	978.54	975.91	978.54 (25/8)	780.00 (21/1)	
Metal & Minfra. (1059/59)	6217.52	6514.15	6566.50	6566.10	6566.95 (14/2)	431.25 (23/6)	
<b>AUSTRIA</b>							
Credit Aktien (2/1/62)	57.42	57.41	57.49	57.44	58.40 (7/1)	55.58 (19/8)	
<b>BELGIUM</b>							
Belgian SE (5/12/56)	95.39	94.26	94.68	94.54	105.76 (11/2)	90.14 (51/3)	
<b>DENMARK</b>							
Copenhagen SE (1/11/53)	86.59	85.29	85.23	85.78	87.20 (12/6)	74.78 (6/5)	
<b>FRANCE</b>							
CAO General (23/12/51)	110.1	110.5	110.5	110.0	117.8 (22/2)	97.1 (61/1)	

Pan Can retool...	545	24	Panab's	307	-1	Bergens Bank	
Placer Dev.	241	25	Pechinor	339	-10	Borjesson	
Power Corp.	171	17	Perrier	215	-3	Creditbank	
Quebec Strg.	65	64	Petrol-Occ.	222	-1	Comstock	
			Poclain	222	-5	Kosmos	
Ranger Oil	414	414	Radiotech	308	-10	Norsk Hydro	
Reed Stanis.	135	135	Redoute	443	-10	Storebrand	
Rio Alcan.	163	163	Rhone-Poulenc	258	-1		
Royal Bank	536	536	Roussel-Uclaf	258	-1.60		
Royal Trustco A.	163	163	St-Gabriel	189	+2.25		
Sagor Inc.	55	55	St. Resignol	290	-0.50		
Sagrem	633	634	Suez	290	+0.50		
Snell can Oil	314	315	Telechem Int'l	1,010	+15		
Steel of Can A.	39	39	Thomson Brandt	259	-1.30		
Teck B.	193	193					
Tecoco Canada	19	19					
Thomson News A.	19	19					
Toronto Dom Bk.	317	317					
Transcan Pipe	243	243					
Trans. Minn. A.	21	21					
Utd Sisco Mines	21	21					

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Ind. div. yield %		Aug. 20		Aug. 20		Aug. 20		Aug. 20		Aug. 20		Aug. 20		Aug. 20		Aug. 20	
		5.59		5.53		5.64		5.57									
STANDARD AND POORS																	
		Aug. 20		Aug. 20		Aug. 20		Aug. 20		Aug. 20		1980		Since Impl'n			
												High		Low		High	
2 Indust'l...		148.20		141.87		142.28		143.26		142.81		148.59		145.28		111.08	
												(22/8)		(27/2)		(15/80/82)	
Composite		128.58		124.84		126.18		126.02		125.46		128.77		125.02		97.22	
														(11/77)		(1/78)	
Ind. div. yield %				4.72		4.76		4.81		4.88							
Ind. P/E Ratio				8.36		8.32		8.19		8.49							

the Yenching (28/12/78)	119.5	117.0	116.2	116.1	117.6 (27/8)	96.5 (4/1)
<b>GERMANY</b>						
FAZ-Antice (51/12/58)	239.5	232.2	232.0	231.7	238.58 (25/2)	212.78 (28/8)
Commerzbank (Dec.1953)	729.5	739.0	730.7	735.5	745.6 (25/2)	697.3 (27/8)
<b>HOLLAND</b>						
AMRO General (1970)	55.5	57.5	55.2	55.4	55.5 (25/7)	74.0 (27/5)
ABC-PS Indus. (1970)	55.5	55.5	55.4	55.5	59.2 (11/7)	56.2 (28/5)
<b>HONG KONG</b>						
Hong Sang Bank (6/17/64)	1201.18	1218.58	1226.85	(c)	1226.03 (26/8)	738.9 (18/8)
<b>ITALY</b>						
Banca Com. Ital (1972)	125.45	125.07	121.56	118.25	128.23 (26/8)	85.11 (2/1)
<b>JAPAN</b>						
Dow Average (16/5/45)	8873.35	8930.05	8936.06	8922.93	9330.58 (27/5)	8475.25 (27/5)

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Long Gov. Bond Yield		11.10	10.87	10.71	8.96
N.Y.S.E. ALL COMMON					
				Rises and Falls	
				Aug. 27	Aug. 28
Aug. 27	Aug. 26	Aug. 25	Aug. 24	High	Low
71.15	71.66	72.03	72.47	72.47	56.30
				(32/8)	(27/3)
				Issues Traded	
				1,915	1,684
				Rises	423
				Falls	665
				Unchanged	586
				New Highs	599
				New Lows	75
MONTREAL					
				1980	
Aug. 27	Aug. 26	Aug. 25	Aug. 24	High	Low
889.74	888.69	887.54	886.18	435.98 (29/2)	433.21 (27/8)
889.74	888.69	887.54	886.18	878.30 (28/2)	886.96 (27/4)

Tokyo New SE (4/1/88)	476.85	476.46	477.35	478.35	478.56 (238f)	482.51 (108f)
<b>NORWAY</b> Oslo SE (11/78)	121.95	122.05	124.80	124.76	144.70 (142f)	110.12 (28f)
<b>SINGAPORE</b> Straits Times (1888)	598.40	681.17	803.56	594.58	603.56 (28f)	422.76 (5f1)
<b>SOUTH AFRICA</b> Gold (1988) Industrial (1988)	(u)	822.9	869.7	826.7	822.8 (27f)	848.5 (27f)
		817.5	812.7	810.3	826.5 (31f)	849.5 (31f)
<b>SPAIN</b> Madrid SE (26/12/78)	105.45	105.82	105.71	105.82	108.82 (22f)	83.76 (15f)
<b>SWEDEN</b> Jacobson & P. (1/1/88)	254.88	257.21	259.10	262.58	268.58 (8-2)	234.72 (17f1)

	Sentinel	Price	+ or -
Tempo	240	-74	
Star Salmer	249		
Wenger	248		
Neapet Lloyd	73.5		
Koechst	113.3		-0.90
Hoslen	84		-1.50
Houzman (P)	396.00		
Horten	14.5		
Kail und Salz	165		-2.30
Karstedt	91.8		
Kaufhof	175.5		
KMD	211		-
Klockner	46.8		-0.70
Krupp	72.4		
Lands	39.45		
Lufthansa	76.5		-0.10
NAB	127.5		-1.50
Mannesmann	120		-
Rosenberg Hg	220		-0.70
Wetzel	289		
Aussense			
Brown Boveri			
Ciba-Lilly			
de (Part Cera)			
Delft Solia			
Fischer (Geo)			
Hoff-Sally			
Hoff-Rothel			
Incorpo			
Landis & Gyr			
Nestle			

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High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

Five to Fifteen Years

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

Over Fifteen Years

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

Undated

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

## INTERNATIONAL BANK

7/2 78 1/2 3/4 77-78 89 1/2 1/2 1/2 1/2

## CORPORATION LOANS

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

## COMMONWEALTH AND AFRICAN LOANS

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

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## LOANS

High Low Stock Price + - % Yield

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

## FOREIGN BONDS & RAILS

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

## AMERICANS

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

## BEERS, WINES AND SPIRITS

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

## BUILDING INDUSTRY, TIMBER AND ROADS

High	Low	Stock	Price	+ - %	Yield
100.00	99.50	British Fund 1980-81	99.50	-0.50	13.10
99.50	99.00	British Fund 1981-82	99.00	-0.50	13.10
99.00	98.50	British Fund 1982-83	98.50	-0.50	13.10
98.50	98.00	British Fund 1983-84	98.00	-0.50	13.10
98.00	97.50	British Fund 1984-85	97.50	-0.50	13.10
97.50	97.00	British Fund 1985-86	97.00	-0.50	13.10
97.00	96.50	British Fund 1986-87	96.50	-0.50	13.10
96.50	96.00	British Fund 1987-88	96.00	-0.50	13.10
96.00	95.50	British Fund 1988-89	95.50	-0.50	13.10
95.50	95.00	British Fund 1989-90	95.00	-0.50	13.10

## CANADIANS

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## 35

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## FINANCIAL TIMES

Friday August 29 1980

BELL'S  
SCOTCH WHISKY  
BELL'S

# TUC General Council asks Mrs Thatcher for meeting

BY CHRISTIAN TYLER, LABOUR EDITOR

MRS. THATCHER will be asked to meet the General Council of the TUC after its annual congress in Brighton next week for the first time since she took office.

The General Council decided yesterday to request a meeting in order to register its dismay at the level of unemployment which has now reached 2m, and to demand immediate action to "tackle the crisis facing the nation."

If, as seems likely, the TUC's request is granted, the meeting will assume considerable political importance. Mrs. Thatcher, given her statement on Wednesday when the jobless total was published, is unlikely to be deflected from her chosen path as the TUC insists she must be.

But she now has an opportunity to demonstrate that the Government recognises the TUC's importance as the largest extra-parliamentary pressure group in the country, and to be seen talking directly to a large cross-section of trade union leaders.

Mrs. Thatcher met members of the TUC economic committee shortly after the General Election last year, but since then her contacts with union leaders have been confined mainly to formal encounters at the National Economic Development Council.

Mr. Len Murray, TUC general secretary, made it clear yesterday that there was no question of the TUC doing a deal on wages or in any way accepting the Government's argument that inflated wage demands were a major cause of the present wave of redundancies.

"We are not in the business of accepting a policy, whether statutory or voluntary, on pay restraint from this Government," he said.

But Mr. Murray repeated his invitation to the Government to throw open the whole economic agenda—in which case talks might have some substance.

The TUC will debate next week whether to commit itself to some form of incomes plan-

ning with a future Labour Government. There is probably majority support for this in the General Council, but the 1,200 delegates may not reflect that view.

Mr. Murray said the Prime Minister would be "extremely stupid" to refuse the TUC's request. It was, he agreed, an exceptional one. "But then these are exceptional circumstances."

The idea for a summit meeting with the Prime Minister was tabled by Mr. David Bannett, chairman of the TUC economic committee, who said yesterday: "Congress next week will overwhelmingly condemn this Government for the tragedy it is causing by its misguided and mistaken economic policies. We want the opportunity to tell the Prime Minister that to her face."

The 41 general councilors will go to Number Ten armed with a series of demands for an alternative economic strategy reinforced by the delegate conference. These

are likely to include import controls, more industrial aid and more public spending. They are some of the measures the TUC sees as necessary to halt the decline of British manufacturing industry.

Richard Evans writes: There was no immediate response from Downing Street to Mr. Murray's call for a meeting with the Prime Minister as a formal request had not been received last night.

The supposition was that Mrs. Thatcher would be willing to meet a delegation next month while making it clear that there was no prospect of a reversal of Government policy.

The Prime Minister would be accompanied at such a meeting by senior colleagues including Mr. James Prior, Employment Secretary, Sir Keith Joseph, Industry Secretary, and Sir Geoffrey Howe. Redundancies round-up Page 6

## Pay deal at Times likely today

By Pauline Clark, Labour Staff

THE JOURNALISTS' pay dispute at The Times appeared virtually to be over last night when management formally tabled an offer which the strikers' leaders will this morning recommend for acceptance. The dispute has stopped production of the newspaper since last Friday.

If the deal is endorsed by the 280-strong Times chapel (office branch) of the National Union of Journalists, and their leaders were confident last night that it would be, the paper could be back on news-stands tomorrow.

The management said yesterday that "strenuous efforts" would be made to produce a Saturday edition. The journalists' stoppage led to management warnings earlier in the dispute that the paper's future was being put at risk after losses incurred by the 11-month suspension of production in 1978-1979.

The journalists, who demanded that the management meet a 21 per cent pay recommendation made by an independent arbitrator, will be presented with an 18-month deal.

The proposed deal would not conflict with the company's 18 per cent "cash limits." It would give the journalists £1,000 each from their pay settlement date in July and another 12.5 per cent from October.

In addition, another 5675 would be paid across the board from July next year. The deal is formulated to keep the year-on-year increase to 18 per cent while allowing the recommendation of the arbitrator to be awarded in full from October.

The formal offer management made yesterday was said to be similar to proposals put to the journalists' leaders on Tuesday, which they had indicated they were ready to accept.

But delays in putting the offer in writing following discussions with the Thomson board, and this led to alternative proposals being put to the journalists yesterday morning.

The journalists walked out from yesterday morning's meeting claiming that attempts had been made to reduce the size of the previous offer.

The management said, however, that there had been "a misunderstanding." Changes had been proposed in distribution of the offer, which did not affect the size of the package. Yesterday's meetings between the two sides also involved Mr. Ken Ashton, general secretary of the NUJ. The NUJ backed the strike officially last week. The meetings followed the previous day's announcement of a £8.4m trading loss for the first six months of this year by Times Newspapers.

## Weather

### UK TODAY

Cloudy, some rain at times. London, S.E., C.S., E., S.W., C.N., N.E. England, E., W. Midlands, E. Anglia, Channel Islands, Borders. Cloudy, rain at first, brighter later. Max. 21°C (70°F). S. N. Wales, N.W. England, Lake District, Isle of Man, S.W. Scotland. Bright intervals, perhaps rain at times. Max. 18°C (66°F). Ulster, N.W., N.E. Scotland, Central Highlands. Cloudy, showers or rain at times. Max. 13°C (55°F). Outlook: Changeable, rain chiefly in the North. Sunny intervals.

### WORLDWIDE

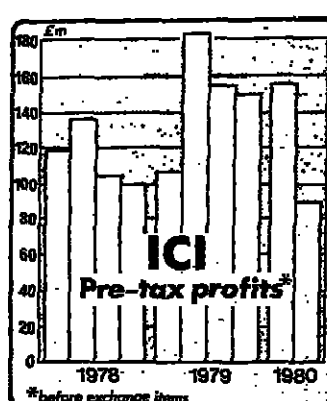
WORLDWIDE					
	Y'day	Today		Y'day	Today
	°C	°F		°C	°F
Ajaccio	F 25	77	Lisbon	S 29	84
Algiers	F 30	86	Locarno	S 29	84
Amsterdam	F 18	64	London	S 19	66
Athens	F 30	86	London	S 22	72
Bahrain	F 35	95	Luxemb.	S 28	82
Bangkok	F 26	81	Luxor	S 39	102
Batavia	F 30	86	Madrid	S 28	82
Beirut	F 17	63	Manila	S 29	84
Belfast	F 17	63	Malaga	S 27	81
Bombay	F 27	81	Malta	S 30	86
Bordeaux	F 23	73	Mexico	S 17	63
Boston	F 19	66	Moscow	S 17	63
Braunschweig	F 17	63	Moscow	S 17	63
Buenos Aires	F 22	72	Munich	S 21	70
Burgin	F 18	64	Montreal	S 14	57
Cardiff	F 18	64	Moscow	S 13	55
Casablanca	F 25	77	Munich	S 23	73
Cebu	F 28	82	Naples	S 21	70
Cairo	S 24	75	Norwich	S 17	63
Calcutta	S 28	82	Oslo	S 17	63
Canberra	F 18	64	Paris	S 24	75
Canterbury	F 18	64	Perth	S 19	66
Corfu	S 29	84	Prague	S 20	68
Dublin	S 18	64	Reykjavik	S 10	50
Edinburgh	S 19	66	Rhodes	S 27	81
Faro	S 28	82	Rio J'a	S 23	73
Florence	F 26	79	Rome	S 24	75
Frankfurt	F 22	72	Salt Lake City	S 21	70
Glasgow	F 26	79	Singapore	S 31	88
Geneva	S 19	66	Stockholm	S 13	55
Gibraltar	S 28	82	Sydney	S 19	66
Gothenburg	S 18	64	Tangier	S 25	77
Grimsby	S 18	64	Tehran	S 34	93
Helsinki	F 14	57	Tokyo	S 21	70
Hong Kong	S 31	88	Toronto	S 23	73
Imbros	S 24	75	Toronto	S 15	59
Inverness	F 17	63	Tunis	S 21	70
Istanbul	F 25	77	Valencia	S 32	90
Jakarta	F 28	82	Venice	F 26	79
Johannesburg	F 23	73	Vienna	F 25	77
L. Pines	F 25	77	Warsaw	S 20	68
			Zurich	S 20	68
Cloudy	F-Fair	S-Rain	S-Sunny		

C-Cloudy, F-Fair, R-Rain, S-Sunny.

## THE LEX COLUMN

## ICI joins the sick list

Index fell 8.8 to 482.7



The equity market's nervousness about the ICI figures turned out well justified, and at one stage yesterday the FT 30-Share Index was showing a fall of 11 points. Gilt-edged, meanwhile, saw more scattered selling, and Treasury 13 per cent 2000, on which a £21 call is due today, has now—stripping out accrued interest—fallen more than nine points from its peak in mid-July.

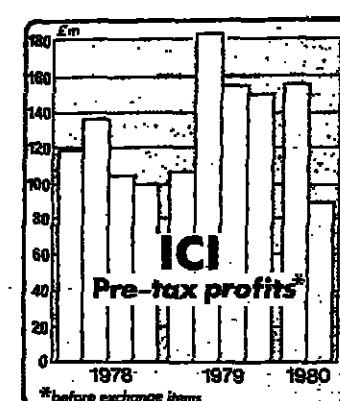
The collapse of ICI's profits in the second quarter has proved more spectacular even than the gloomiest predictions. Before exchange losses, pre-tax profits have fallen by more than half from the level of a year ago to £80m; so in spite of the excellent first three months, first half profits are down by 15 per cent to £245m. The decline has been far greater than that experienced by other international chemical majors; and once the contribution from Ninian oil is stripped out second quarter profits are only a third of the level a year ago.

In common with the rest of the chemical industry, ICI has been hit by a drop in volume and a fierce squeeze on prices. UK sales volume in the second quarter, ex-oil, is 14 per cent lower than in the same period of 1979, while continental Western Europe has seen a 7 per cent drop. Better performance in Canada and Australia have not been enough to prevent volume overall dropping by 54 per cent. The bulk of the decline has been in petrochemicals and plastics, and ICI's high proportion of secure supplies of naphtha—a great boon in 1979—has left it unable to take advantage of the softening of the spot price. Among the other divisions doing badly are organics and fibres, which even last year made a trading loss of £33m.

In addition, ICI has been suffering the familiar effects of the strong pound and rapid cost inflation. The pay increase of 16 per cent from June will raise the third quarter wage bill by £25m. Meanwhile, although customer destocking seems to have passed its worst in the more resilient sectors—agriculture, pharmaceuticals and paints—elsewhere the decline in demand seems to have gained pace. So, while it is a foregone conclusion that the third quarter figures will be ghastly, it may well be that even the last quarter will not show much recovery.

So pre-tax profits may be no

Index fell 8.8 to 482.7



better than £400m this year, against £500m, in spite of oil earnings of a good £100m. Last year the dividend was barely covered on an SSAP 10 basis, and with current cost adjustments running at the same magnitude this year, a maintained dividend might well be uncovered even under ICI's individual brand of inflation cost accounting, which uses a more generous gearing adjustment. Without oil the directors might well have been considering whether they could afford to hold the dividend—which is unchanged for the first time in eight years. The share price fell 6p yesterday to 354p, producing a yield of 9 1/2 per cent.

### Plessey

The Plessey share has been a spectacular performer this year. Last night's price of 236p compares with a year's low of 108p—a rise of 118 per cent, whereas the 30-Share Index is only 184 per cent above its low point for 1980. Plessey has shared in the general excitement of the electrical sector, which investors have decided is recession-proof, and has enjoyed a substantial re-rating of its own, based on the profit figures for the second half of 1979-80. These suggested that the group was at last beginning to achieve the sort of return that it had long promised but never delivered; and the first quarter figures for the current year, covering the three months to June, confirm the impression that Plessey's profits have taken a sort of quantum jump.

Pre-tax profits are up from £13.2m to £18.6m, and although £2m or so of the increase may be accounted for by loss elimination (from the absence of Garrard, old Strowger contracts and the Portuguese

business) there is a charge of roughly the same amount above the line for redundancies. Even if Plessey's unpredictable habit of charging provisions to the profit and loss account makes it hard to be confident about the underlying quarterly trend, since the provisions are not revealed until the year-end balance sheet, there has undoubtedly been a major improvement.

Volume sales are up more or less across the board, and the order book, in sharp contrast to the general plight of manufacturing industry, shows a 37 per cent rise in value terms on the level of a year ago, and now stands at over £1bn. As in the final quarter of last year, the contribution from the telecommunications 'main exchange' business has been a decisive factor in the profits rise. Deliveries here are well up, and operating profits have risen from £2m to £34m. And then Plessey's stronger cash flow has allowed it to repay some more debt since the financial year-end, when the net interest charge is slightly down.

Plessey may be on course for £72m (against £60m) pre-tax for the year as a whole, which on a 35 per cent tax charge would give earnings of roughly 20p a share—and a p/e of 12 does not sound unreasonable. But even with this sort of improvement, the group may still not cover its dividend with current cash earnings this year, and its capital spending is barely high enough to preserve the value of its assets in real terms. Plessey may be a changed animal, but it is not yet—with all the help in the world from the Post Office—an entirely convincing growth stock. The historic yield is 4.2 per cent.

### Falling profits

Falling profitability is not just a UK phenomenon, and the international trends are graphically illustrated in the latest issue of "British Business." As might be expected, UK industry comes out badly on most of the comparisons in terms of return on capital and the share of its profits in value added. But although starting from a higher base, the long-term declines in countries like Germany have been very steep as well. The figures run up to 1978, since when the cost of capital has increased sharply in many countries and profit margins have been increasingly squeezed. Something has to give, and the rising numbers of unemployed show where the pressures are most acute.

## Union probes 'vote rigging'

By John Lloyd, Labour Correspondent

ALLEGATIONS of serious irregularities in voting for the post of general secretary of the 130,000-strong Boilermakers' Society are being examined by the union's executive.

The election, arising from the retirement at the end of this year of Mr. John Chalmers, general secretary, attracted five candidates. Three of these were eliminated in the first ballot.

The second ballot was a two-man contest between Mr. James Murray, chairman of the executive and its member for Scotland, and Mr. Barry Williams, the delegate for the union's Merseyside and North Wales district, who is a member of the Communist Party.

The second ballot, held at the June meetings of the union's branches around the country, gave Mr. Murray 2,031 votes against Mr. Williams' total of 1,903—a majority of 128. The total number of votes cast represents about 3 per cent of union membership.

Supporters of Mr. Williams, however, have made allegations of widespread irregularities. These include falsification of numbers of votes.

Mr. Williams said yesterday that between 15 and 20 complaints of separate incidents had been received by the secretary of his branch (Liverpool 2) and had been forwarded to the executive at the union's Newcastle headquarters.

It is believed supporters of Mr. Murray have also made complaints alleging that Mr. Williams was ineligible to stand because of inadequate information given in his application for the post. Mr. Williams yesterday dismissed these complaints as groundless.

Mr. Chalmers, who is in Brighton for the pre-congress meeting of the TUC's general council, said yesterday that he could make no comment.

He would not say whether the executive had reached a decision on which candidate should be judged the winner, or if it still had the issue under review.

Under the union's rules for disputed elections the executive may declare either Mr. Murray or Mr. Williams the outright winner.

The loser may then appeal against the decision to the union's general council. This comprises eight lay members and two executive members.

## French prices jump by 1.5 per cent in July

BY ROBERT MAUTHNER IN PARIS

FRENCH PRICES jumped by 1.5 per cent in July, the biggest monthly rise for more than six years apart from an exceptional increase of 1.9 per cent this January following the previous month's large oil price rises.

The July price figures were particularly disappointing given the encouraging slowdown in inflation the previous month, when the cost of living index rose by only 0.6 per cent. But it was not entirely unexpected, because sharp increases in public sector prices, including railway fares, Paris public transport charges and tobacco duties, were bound to have an adverse effect on the general index.

M. Rene Monory, the Economics Minister, said that last

month's figures—which sent the 12-month rate of inflation up to 13.6 per cent—did not invalidate the official prediction that inflation would slow down regularly from now until the end of the year.

He added that the Government had completed its policy of making public corporations stand on their own feet by raising their prices, and so allowing the authorities to reduce the subsidies on which they were previously overdependent. M. Monory made it clear that no further increases in public sector prices would be authorised until the end of this year at the earliest, and probably not before the Presidential election, due in April and May next year.

The worst hit area in July alone was the services sector, in which prices rose by 2.4 per cent last month. Since the previous July, however, prices in that sector had risen by only 13.2 per cent. By contrast, though manufactured goods prices rose by only 1.2 per cent in July, they jumped by 16.7 per cent since July, 1979. Food prices rose by 1.1 per cent last month and by 9.5 per cent over the previous year.

The disappointing price figures, did not discourage President Giscard d'Estaing from heaping praise on the head of M. Raymond Barre, the Prime Minister, who has been the architect of the country's economic policy since his appointment in August, 1976.

## Shell and BP refinery workers threaten action over pay

BY NICK GARNETT, LABOUR STAFF

SHELL and BP were warned by national officials of the Transport and General Workers' Union yesterday that unless they disregarded Government and CBI advice on the level of pay settlements in the new wage round the two oil companies faced the prospect of co-ordinated industrial action by their refinery workers.

Mr. John Miller, the union's national secretary for oil and chemicals, said he would be calling a meeting in October of union representatives from the companies' refineries.

This would consider industrial action unless BP and Shell clearly showed they were negotiating free of "constraints."

Mr. Miller, who met Shell

refinery shop stewards yesterday, was reacting to a 10 per cent offer—to be reviewed in March—made by BP to its refinery process workers at Grangemouth, Scotland.

BP said that the Grangemouth offer was related solely to its marketing position, which, along with that of other companies, had deteriorated as a result of the recession.

Shop stewards, who have been mandated to seek rises of more than 20 per cent, have accused the company of bowing to CBI and Government pressure. Shop stewards at BP Grangemouth discussed the position earlier this week with Shell refinery shop stewards who are in the process of fixing their claim.

BP refinery shop stewards have also been in touch with Texaco shop stewards at Texaco's Milford Haven refinery which also has a settlement date in the September-October period.

This followed contacts between Mr. Neil Boner, senior transport union shop steward at BP Grangemouth, and union representatives of BP's tanker drivers who are seeking similar rises but with a November settlement date.

It is thought that some oil company managements might have been attracted to the idea of maintaining or improving their standing with the Government by making pay offers in line with ministers' advice.

## London-Scotland £20 by BCal

BY LYNTON McLAIN

BRITISH CALEDONIAN Airways yesterday announced plans for a £20 single off-peak standby fare between London and Glasgow in an attempt to win passengers from British Rail and car transport.

The new fare, part of a package of proposed cuts in London-Scotland fares unveiled by BCal yesterday, is 58 per cent cheaper than the current BCal peak fare of £49 single and will cost £5.60 less than British Rail's ordinary

single ticket and less than the cost of petrol for a medium saloon car over the same distance.

BCal's proposals, which need the approval of the Civil Aviation Authority, follow other recent reductions on domestic air fares: British Midland Airways cut £10 off its Gatwick to Belfast return at the start of this month, bringing it down to £66, and British Airways responded by introducing a

range of cut-price and excursion tickets on the same route.

BCal itself launched a £20 single standby fare on the London-Edinburgh route. The airline's new Scottish fares come into effect, if approved by the Civil Aviation Authority, on November 1, and form one element of a campaign by BCal to bring its European Mini Prix low fare structure to UK domestic routes.

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## ICI profit

both been unaffected by the recession. Some of its overseas operations, notably in Canada and Australia, had also held up well.

ICI said the "severe drop" in profits from its basic chemicals in Western Europe had been partly caused by destocking.

It did not yet know whether destocking had started to level off.

The group's greatest fear is that part of the drop in demand for its products may be the result of some of its customers going out of business permanently rather than simply destocking. The danger of this happening

increased the longer the recession lasted, it said.

Some of ICI's petrochemical plants are now running at only 40 per cent of their production capacity as the group tries to match the continuing fall in demand. Others have been temporarily shut.

Yesterday, ICI said its basic chemicals business in Europe was still being hit by cheap imports from the U.S. At the same time, it expected to "have to work pretty hard" to hold on to its export markets in the face of the strong pound.

ICI shares closed at 354p, down 6p, after dropping to 344p at one stage.

## Public spending

will be quickly overtaken by expansionary influences, mainly a lower rate of inflation, reduced interest rates and increased output.

The institute's forecasts are, however, likely to be analysed closely. In particular, there is some comfort for the Government in the projection that public sector borrowing should be about £9bn in 1980-81, lower than most City estimates, and only slightly above the £8.5bn Budget forecast.

Borrowing should drop to £6.2bn as the adverse effects of the recession should be offset by increased North Sea oil revenues and by the impact of higher nationalised industry prices.

Although the demand for bank credit is expected to slacken eventually in response to the recession, the review can offer only the prospect of a cut in Minimum Lending Rate from the present 16 per cent to possibly 13 per cent by the end of 1981.

The forecasts are generally gloomier than the last projections in May, although the institute remains slightly more optimistic than for example, the monetarist London Business School because it projects a small rise in output and consumer spending next year.

The institute may not, however, be gloomy enough about unemployment.

## Introducing a New Beechcraft King Air.



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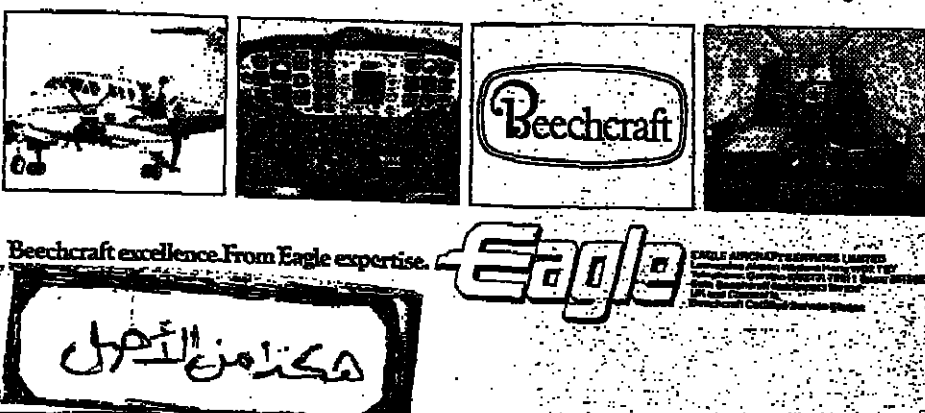
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Contact Neil Harrison of Eagle for details of the King Air F90, its economics and benefits, and for information on the management and services which Eagle provides as the sole distributor for Beech in the United Kingdom.



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